INDUSTRIAL RELATIONS RESEARCH ASSOCIATION SERIES

Proceedings of the Twenty-Seventh Annual Winter Meeting

DECEMBER 28-29, 1974
SAN FRANCISCO

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EDITED BY JAMES L. STERN AND BARBARA D. DENNIS

First Edition

Library of Congress Catalog Card Number: 50-13564

PRICE $8.50

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION SERIES

PROCEEDINGS OF THE ANNUAL WINTER MEETING (May Publication)
PROCEEDINGS OF THE ANNUAL SPRING MEETING (Fall Publication)
Annual Research Volume (Fall Publication)
(MEMBERSHIP DIRECTORY-HANDBOOK every sixth year in lieu of research volume)
IRRA NEWSLETTER (Published Quarterly)

Inquiries and other communications regarding membership, meetings, publications and the general affairs of the Association, as well as orders for publications, copyright requests, and notice of address changes, should be addressed to the IRRA publication office: Barbara D. Dennis and James L. Stern, Co-editors; Richard U. Miller, Secretary-Treasurer; Elizabeth S. Gulesserian, Executive Assistant.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
7226 Social Science Building, University of Wisconsin
Madison, WI 53706 U.S.A. Telephone 608/262-2762

Printed by R. F. Colwell Printing Corp., 510 N. Hickory, Champaign, IL 61820

The Executive Board of the IRRA

Dedicates this Volume to

GERALD GEORGE SOMERS

Editor from 1957 to 1975

In Appreciation for His

Devoted Service and Enduring Contributions

to the Industrial Relations Research Association

PREFACE

The program of the Association's Twenty-Seventh Annual Winter Meeting in San Francisco reflected the diverse interests of the members. There were discussions about health care legislation, OSHA, apprenticeship, the ILO, Equal Employment problems and Title VII disputes, employment and unemployment statistics, problems and policies in the fields of employment, unemployment and training, econometric analyses of wage changes and labor markets, and new developments in public sector arbitration and immigration.

The presidential address by Nat Goldfinger was focused on labor-management relations in an era of inflation and recession. There was also a session devoted to contributed papers selected on a competitive basis by a review panel. As in previous meetings, younger members were thereby given a special opportunity to participate in the meetings.

The IRRA is grateful to Nat Goldfinger for his program arrangements and to Henry Patton and his San Francisco area committee for their efficient efforts to make our meeting a pleasant and smooth-running one.

The co-editors wish to express their appreciation to the authors of the papers in these *Proceedings* for their cooperation in preparing manuscripts for publication. In addition, we wish to acknowledge our debt to Betty Gulesserian for her generous willingness to help new co-editors and her continued assistance at all stages in the preparation of these *Proceedings*.

Finally, on behalf of the Board and the membership we wish to extend our thanks to the outgoing editor, Gerald Somers, for his many faithful years of service. Dedication of these *Proceedings* to him expresses only in a small way the debt that the Association owes him for the time and effort he has devoted to our activities.

JAMES L. STERN
BARBARA D. DENNIS
Co-editors

Madison, Wisconsin
March 1975

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NOTE: The papers of the following session, presented in the IRRA program, are not included in these *Proceedings.* They are published in the *American Economic Review,* May 1975.

THE ECONOMICS OF LABOR: AN ASSESSMENT OF RECENT RESEARCH

With the American Economic Association
Orley C. Ashenfelter, Chairperson

PRESIDENTIAL ADDRESS

Labor-Management Relations in an Increasingly Difficult Economic Environment

NAT GOLDFINGER
Department of Research, AFL-CIO

For many years now, the system of collective bargaining that has developed on this continent and the parties involved in the process have been under frequent attack, sometimes from the same people using opposite vantage points. The collective bargaining system is decrepit and rigid, it has been said, and the parties are too soft, too tough, too dumb, or an interference with the competitive market model which could enable the computer to provide all the answers, if unions and collective bargaining would only get out of the way.

Such public exercises have continued in 1974, although less frequently. This year, amidst a deepening economic mess, the economics establishment—particularly the macroeconomist Mandarins who dominate the economics departments of the elite universities and leading foundation subsidiaries—has been exposed as bankrupt, bereft of much ability to explain its continuing failures, in recent years, to analyze major economic developments, to provide workable forecasts and remedies for the increasingly complex and dangerous problems that beset the economies of the U.S. and the western world.

And the self-styled pundits, who have blamed most difficulties on collective bargaining and organized labor, have been compelled to spend at least some time in 1974 wallowing in their foolishness, amidst the deepening economic crisis.

Indeed, the record clearly shows that, in the past decade, when almost every American institution has been badly pulled, tugged, or nearly torn apart, the collective bargaining system and the trade unions have been among the few institutions with a high degree of stability. Indeed, their very diversity, pragmatism, and flexibility—which have been the bane of their attackers—have also been basic factors in their relative stability.

With its lack of neatness, disregard for perfection, and contempt for

preconceived textbook formulas, collective bargaining has continued to reveal its inherent vitality as a dynamic system of problem-solving between the differing interests of labor and management at the workplace. Despite failures and setbacks, this system of collective bargaining has usually achieved workable solutions for practical problems—such as attempting to meet the challenges of radical and rapid shifts in technology at the workplace—by flexing and changing with the changing needs and demands of the parties in a fast-changing world.

For the most part, the parties to this sometimes turbulent process are unknown. The national leaders of the parties, whose names are reported in the news media, are known to the world. But the day-to-day work on the "shop floor" is performed by tens of thousands of business agents, stewards, committeemen, international union representatives, foremen, superintendents, and plant managers—the unsung foot soldiers who each day and each week work out pragmatic rather than ideological or even neat solutions to difficult problems that arise in never-ending constancy at tens of thousands of varied workplaces in this continental-sized economy.

The incidence of strikes and lockouts—almost always acts of last resort—has tended to move down. The percentage of working time lost, due to such disputes, has declined. Last spring's dire predictions of a huge wave of strikes, which received prominent attention in the news media, did not materialize. The end of 32 months of a one-sided hold-down of workers' wage increases—as part of the government's so-called stabilization policy, with its blatant antilabor bias, inequities, and abject failure to maintain even a minimum degree of stability of the price level—was followed by a four-month bulge of strike activity and then a decline.

A more direct repudiation of such predictions, for a time supposedly substantiated by the computer results of learned professors, involved the forecast of an immediate massive wage explosion after the April 30 end of one-sided wage controls. The explosion did not occur. A rise of 9.1 percent over the past 12 months in the Bureau of Labor Statistics' Hourly Earnings Index—and average first-year settlements of 10–10.5 percent, and over the life of the contract, about 7.3–7.7 percent, often combined with some type of wage escalator—can hardly be termed an explosion, let alone a massive one, in the face of an inflation rate of over 12 percent and prior losses of purchasing power.

An explosion has occurred—in the price level, rather than wages. In fact, workers and their unions have revealed a remarkable degree of patience and moderation, confronted by an accelerating inflation that has severely jolted living standards and, in the past two years,

reduced the purchasing power of the average worker's after-tax weekly earnings below the level of 1965.

But the troubles in the economic environment have been growing. And they are placing onto the bargaining tables issues that are increasingly difficult for many managements and for the overwhelming majority of workers. These include such matters as workers' pressures to catch up with raging inflation, while managements are confronted by recession-induced suppression of productivity gains and the impact of monetary policy on costs and liquidity, and there are such additional issues as job security and the status of pension and SUB funds.

The essential difficulty, however, is not with the collective bargaining system—with all of its warts and imperfections—or with the negotiators and the tens of thousands of other practitioners who keep the system operating. The major difficulty, by far, is with the federal government's economic policies and the policy-makers. And it is also with the campus- and foundation-dominated economics establishment—with its overwhelming emphasis on aggregate numbers derived from theoretical formula-bound computer responses, rather than observation, analysis and judgment—that has failed to provide the policy-makers and the public with anything that approaches adequate analysis, critique, and workable remedies.

Not since the 1930s has the American economy been in a mess, as complex and dangerous as at present. Not all the basic causes were generated in Washington. But the government's policies and measures or lack of them—by omission and neglect as well as commission—have permitted them to fester and to infect the entire economy.

The accelerated rise of the price level was set off by the Nixon Administration's subsidized, huge Russian grain deal of July 1972, while the government's restrictive agricultural policies held down farm production. The sale of such large amounts of grain and other farm products, as well, resulted in the immediate build-up of price pressures—developing shortages of agricultural products and bottlenecks in freight cars and barges to move the products to the ports. The price-rise began to accelerate in the summer of 1972, during Phase II of the so-called stabilization program—the phase of that program that is still much touted by a substantial part of the economics establishment.

Added pressures on the prices of these key products resulted from profiteering and hectic speculation in the essentially unregulated commodity exchanges, which will remain essentially unregulated until April 1975, when newly adopted legislation becomes effective.

These pressures were aggravated further in 1972, a presidential election year, when the Federal Reserve supplied a relatively easy flow

of money and credit, at slowly rising interest rates—encouraging speculation and the build-up of business and installment debt. And considerable price pressures were added by the devaluations of the American dollar and floating of currencies, combined with the Administration's general drive for vast exports of farm products and crude materials in short supply, such as steel scrap, copper scrap, fertilizer and even waste paper.

The government sacrificed the domestic price level and thereby the living standards of the American people for a temporary improvement in the balance of trade and balance of payments—an improvement that proved to be very short-term, indeed.

This inflation was not set off by excess demand at home. Neither was it set off by wage increases, which were under Phase II controls, and wage increases have been an insignificant factor in sustaining the accelerated inflation since then.

The government's response to the developing troubles—which it set off, aggravated, and encouraged—was to adopt restrictive monetary and fiscal policies in early 1973. These policies, which are designed to restrain a classical inflation that is based on excessive domestic demand for goods and manpower in short supply, could not possibly curb the rising tide of this inflation. But they hit residential construction first and hardest, while the accelerating price level, with its particular impact on food prices, began to erode the purchasing power of an increasing percentage of workers.

By the spring and summer of 1973, with a continued tightening of monetary policy and sharply rising interest rates, the economy was in a marked slow-down and headed toward a recession. But from the economics establishment, all one could hear were two cheers, if not three cheers, for the government's policies. And, in some quarters of this economics establishment, the attention was still focused on essentially abstract mathematical variations of the Phillips curve.

Moreover, the government's restrictive policies were adding still further to the tide of accelerating inflation. Soaring interest rates were directly adding to costs and prices. In addition, by creating slump conditions, these policies were suppressing the advance of productivity and thereby adding to unit costs and to the upward pressures on the price level, which were beginning to ripple out through the economy from the increasing prices of agricultural products and crude materials—with percentage mark-ups and, often, with increased profit margins, to boot.

The highly discriminatory restrictive monetary policy was also feeding the inflationary fires by providing available funds for the huge

inventory build-up—which now hangs ominously over the economy—and loans to speculators and foreign borrowers, while it squeezed home-building, small businesses, and eventually the public utilities and many local governments. So by the beginning of the fourth quarter of 1973, the economic slow-down was spreading while the rate of inflation continued to accelerate.

Then, came the oil embargo and the fourfold rise in the price of crude oil—imposed by the Arab-dominated cartel and enforced by the international oil companies. This action greatly exacerbated and extended the inflationary tide, posing new long-term and most dangerous problems for the economies of the U.S. and most other nations. Today, one year later, the U.S. still has no domestic energy policy or comprehensive set of policies to meet the world-wide oil crisis, including the recycling of petrodollars.

The unravelling of the economic fabric continued and the inflation accelerated still further, while the Federal Reserve put the economy in a strangling vise between the early spring and autumn of 1974, in a most arrogant display of brinksmanship. The results of these various policies and developments, which were fairly easy for an observer to see by mid-1973, became frighteningly clear by the following spring. But other than the AFL-CIO, very few sounded public alarms during all of those months when the basis for the present, deepening downward spiral was gathering momentum. And even now—with mounting unemployment, rapidly falling purchasing power, and the threat of imminent widespread bankruptcies—the prime interest rate has receded merely from 12 percent to 10 percent.

The full story is more complex and fraught with danger than this brief outline. And no rational person can claim to have sure-fire answers. But what did the government's policy-makers and the general public get from the economics establishment as this situation unfolded during 1974? The National Bureau of Economic Research cannot decide, even now, whether the economy is in a recession, which actually started in all likelihood during the fourth quarter of 1973 and is fast becoming the most prolonged and deepest recession since the 1930s.

It was in early 1974 that the libertarian professor from Chicago, who continues to advocate a steady and heavy dose of monetary restraint, told the American people to emulate the Brazilian model of supposedly universal indexing. What the professor failed to mention was that his Brazilian model had resulted in a regressive shift in income distribution and that his model included an authoritarian military regime, press censorship, limitations on trade unions and collective bargaining, and the use of torture.

Most of the liberal group of the economics establishment gave top-billing, during the first half of the year, to loud calls for an incomes policy—a euphemism for one-sided wage controls—or, more directly, proposals for such controls by the name of wage-price controls. Wages are easy to control, except in tight labor markets, since employers are built-in enforcers of the controls or government guidelines. However, none of this group has ever come forth publicly, to my knowledge, on how to control prices effectively and on specifics, proposals to control food prices or to get a handle on energy prices or to control such non-wage costs as interest rates and profits. Perhaps it is in poor taste to ask such questions of learned gentlemen, who tried to convince a President of the United States, not too many years ago, that there were no serious economic problems anymore, only technical matters, since they could fine-tune the economy. To their credit, however, most of this group has abandoned or given lower priority to calls for such controls, in the past three months, and has indicated a much-belated concern about the economy's downward slide.

It is no wonder, then, that the two summit meetings of economists last September, with their heavy representation of the macroeconomics establishment, failed to engage in even a discussion of food prices, to come to grips with the energy problem and world-wide oil crisis, or to seriously consider measures to halt the downward spiral. The agreement among most participants, at the first meeting, for some easing of the extreme monetary restraint apparently weakened by the time of the second meeting. The single issue that provoked a petition, signed by all but two of the participants, was a call to eliminate regulation from the economy—such as to open up the first-class mail service to private firms and to eliminate Regulation Q.

And it is no wonder, either, that not too many weeks ago, President Ford called for a federal budget surplus, an increase in taxes on families with incomes of $15,000 and above, and cuts in expenditure programs for the poor, the aged, and veterans.

Amidst all of this disarray and spreading economic debris—including the pressing interest-payment costs of local governments and the inability of many of them to float new bond issues—amidst all of this, the collective bargaining system and its tens of thousands of negotiators and "shop floor" practitioners have managed to carry out their functions. And it has been done with a high degree of success and accommodation and without high-flown pretense.

About 20 years ago, Professor Sumner Slichter wrote:

"By and large, I think that the United States should consider itself lucky. It possesses a system of industrial relations that, in its basic

characteristics, fits conditions here reasonably well. Perhaps that is why it represents a pretty good adaptation to conditions—it is simply the sum total of various efforts to solve problems rather than the expression of a plan which might faithfully reflect certain principles but which, because of that fact, might not very well fit conditions."

But this system has been increasingly strained and loaded down by troubles in the economic environment. The system has withstood many strains before, but never have they been as complex and varied. For example, the present economic decline has already gone so far that the unemployment rate may not move below 5 percent for a sustained period of months in the remainder of the 1970s—or, perhaps, reach that level by 1978, at the earliest, prior to the next decline in the business cycle. And, out there in the economic environment, but impinging on the bargaining system, hangs the threat of a worsening world-wide oil crisis, the destabilizing effects of floating currencies, the unregulated and partially subsidized operations of the multinational corporations and international banks, the continuing erosion of the nation's industrial base with unregulated outflows of technology and capital and inflows of manufactured goods, the unregulated export of domestic products in short supply and depletion of stockpile reserves of agricultural goods and crude materials, the rollercoaster impact of the Federal Reserve's stop-go policies, with a continued rising trend of interest rates and failure to allocate available credit for high-priority social and economic activities.

Present strains and possible greater troubles in the economic environment yet to come could create difficulties in the collective bargaining system itself if the basic economic troubles remain unresolved in the years ahead. Rising social tensions could undermine the pragmatic, problem-solving nature of the collective bargaining system. History teaches us that societies and institutions inherit the impacts of accumulated troubles as well as accumulated blessings.

The policy-makers will respond to the pressures of the moment, to the extent that they do not adopt policies with foresight. Such foresight, which should be provided in part by advisers, combined with the policy-makers' insights and observation of events, could play a role of some importance.

But as Professor Barbara Bergmann said recently: "Economists' advice is something like patent medicine; people know that it is largely manufactured by quacks and that a good percentage of the time it won't work but they continue to buy the brand whose flavor they like."

The quality of such advice could be improved greatly and the quackery reduced. But to do so, academic economics will have to drop

its macro-focus and use its mathematical and computer skills as tools rather than as substitutes for substance. Academic economics will have to learn about America, the way-of-life of American families, the structure and processes of the American political system. It will have to place major emphasis on people, on observation and judgment, on institutions and markets, on issues of equity and income distribution. By following such a course, academic economics could regain its respectability as a social science. The collective bargaining system and the country-as-a-whole would benefit.

I. HEALTH AND COLLECTIVE BARGAINING*

Collective Bargaining and Health Legislation

BETTY G. LALL
Cornell University

Health and legislation to deal with it is today one of the most focused-upon topics in the country. There is a lot that we know because important pieces of legislation have been passed, but there is much we do not know and can only speculate about because some of the most important parts of the total health legislation package have not yet been enacted. Indeed, it is uncertain whether sufficient consensus exists about which type of national health insurance should be adopted. It may be instructive, nevertheless, to look at where we are and examine some of the important questions of interest to those concerned with labor and management's involvement in this field.

This paper is divided into two parts. The first discusses linkages in health legislation to unions' bargaining with mangement. The second deals with labor bargaining in the health field with managment, community groups, and health providers. Most of the emphasis will be on labor's role.

Linkages

Five important pieces of health legislation should be noted. At this writing two have been enacted into federal law and three are pending.

First, there is the substantially modified 1966 legislation creating Comprehensive Health Planning Agencies throughout the country. These agencies will have authority to decide priorities in the use of public funds for health facilities. They are likely to have a role in setting rates for hospital charges and to have funding responsibilities over other federal programs in the field of health. On each board the consumer representation must be at least 51 percent. This legislation

* The discussions presented in this session by Rashi Fein, Harvard University, and Bert Seidman, AFL-CIO, are not included in the published Proceedings.

creates a major role for labor unions (management to a lesser extent) as consumers in any system of nation health security.[1]

Second, a five-year demonstration program to establish Health Maintenance Organizations was established by Congress late in 1973. Federal funds for feasibility studies and start-up operations will become available to those groups (doctors, hospitals, and consumers) who qualify to start an HMO and have done the necessary planning and homework. This is the major piece of legislation designed to improve the delivery of health care through the establishment of prepaid group practice offering comprehensive services. Labor and management have a significant opportunity to participate in these demonstration projects.

Third, there is the growing relationship between the health provisions of management-labor contracts and the implementation of the Occupational Health and Safety Legislation of 1970. Increasingly, employees are learning about the health hazards of new materials and the need for research and standards setting before serious illness occurs and lives are lost. Voluntary compliance with the objectives of the law can be gained through labor-management contracts which spell out compliance schedules and methods to correct both health and safety problems. Health at the workplace will also be related to whatever new health security system is passed by Congress. Occupational health is being raised as one of the health areas which should be included in health maintenance organizations.

Fourth, of great potential importance to labor and a possible subject for labor-management negotiations, is the pending health manpower bill.[2] An important focus is on paraprofessionals (Allied Health Personnel, Title VI) and it is here, be it in the training of OSHA inspectors which come out of the workplace, or the training of various kinds of health assistants and administrators from employee organizations, that unions may bargain for training opportunities for their members.

Finally, there is the legislation on national health insurance itself. Consensus may now have been reached on one aspect of the legislation, i.e., to adopt a comprehensive system. That is to say, eligibility and benefits are likely to be fairly broad. What is not yet clear is the method of financing, administration, controlling costs, changes in the health delivery system, and the amount and kind of consumer participation.

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[1] In this context both labor and management, since they buy services, are called health *consumers*. Health *providers* are the doctors, hospitals, other professionals, technicians, paraprofessionals, and workers who deliver various kinds of health services.

[2] This is S.3585 in the 93rd Congress.

A principal issue affecting the financing and administration of national health insurance is whether the social security system will be used with a trust fund created, consisting of a payroll tax and a contribution from general revenues, or whether third-party carriers of all types will receive the funds and make payments. In other words we do not know whether the public or private sectors will dominate the system. What we do know is that the contributions from labor and management to provide most of the benefits will be mandated by law and to that extent will no longer be subject to collective bargaining. Even if a major health bill is passed by the 94th Congress, its provisions are likely to take effect gradually and will be phased in over a period of a few years.

Labor-Management Collective Bargaining in Health

For purposes of this discussion, bargaining has two aspects. First is the traditional collective bargaining between labor and management. The second is bargaining between labor as an organized consumer of health care and the providers of health care—the doctors, hospitals, and their organizations established to render this care. Labor will also be bargaining or aligning itself with community groups.

In the area of national health insurance, the scope of union bargaining with management will have three rather narrow aspects assuming, and this is an important assumption, that the eligibility and benefits are fairly comprehensive. For most unions the amount of money currently negotiated for health exceeds the probable amount to be legislated in any national health insurance scheme.[3] For example, in the Kennedy-Griffiths bill (H.R. 22 and S. 1 in the 93rd Congress) an employer would pay for health 3.5 percent of payroll up to $15,000 and the employee would pay another 1 percent. Most unions which have a package of benefits have negotiated more than this amount for their health plans; the range is generally between 5 and 8 percent.

The negotiable issue for labor, therefore, is to preserve the difference between the mandated payroll tax and what has already been negotiated for health. This money could then be used for health benefits not covered in the law or for entirely new benefits. Of course, it is to labor's interest to have the health legislation encompass as many benefits as possible. This will leave more funds to use for other matters, such as increased wages, pension benefits, supplementary health benefits, child care centers, educational scholarships, or any number of other benefits. Some of these benefits may require changes in legislation to

[3] The data base for this conclusion is a sampling of unions in the New York City area.

permit health and welfare funds to be so used. It does open up whole new fields for bargaining.

There are many labor-management contracts where the health benefits are not stated in monetary terms, but the actual benefits are listed, e.g., so many days of hospital care, doctor's visits, laboratory services, and so forth. In these cases labor and management will be required to translate the benefits into a set amount to determine what percent of payroll is being used for health. Obviously this will be an occasion for conflict since labor will want to define the worth of benefits as high as possible so as to know how much will remain to be negotiated for benefits not covered in national health legislation or other previously negotiated benefits. Management will attempt to prove that the benefits cost very little so that it will have to pay additional amounts for other benefits. It is apparent that labor-management agreements which do not state benefits in terms of amounts will be subject to greater degrees of conflict, and hence bargaining, than agreements in which health is given as a percentage of payroll or in actual dollars and cents.

A second, much more specific, item for collective bargaining is the question of labor's negotiating with management to pay the former's share of the payroll tax to be allocated for health. This might be 1 percent as in the Kennedy-Griffiths bill, but it could be higher. The legislation is likely to let labor and management decide this question.

Local union option for a health maintenance organization is a third area involving a potential for collective bargaining between management and labor. The HMO law requires all employers with more than 25 employees to offer this as an option in employee health plans. The per capita or family cost in HMOs usually will exceed what the union has won in the way of health benefits. In the absence of a system of national health insurance, unions deciding on the HMO option will have the choice of bargaining with management to pay the difference between their present health benefit package and the cost of the HMO, or they will be required to ask their members to pay additional out-of-pocket costs. This poses an important dilemma for many unions; they want to encourage their members to join HMOs as a superior means of delivering health care, but they do not relish the increased costs this is likely to involve.

By supporting a national system of health security, unions are relinquishing a major advantage in organizing new workers. Many union organizers believe that the benefit package won through collective bargaining, of which health is a large component, is one of their best arguments for having a union. If part of this advantage is removed,

labor may decide to enter new fields for bargaining to retain the support of its members and to encourage further unionization.

Bargaining with the Providers and the Community

There are some students of unions and health who contend that most systems for national health insurance take the unions out of the health picture altogether. They might argue even that once collective bargaining had disposed of the three areas mentioned above, there is little left and unions may henceforth leave the issues of health care to others. If the union, however, sees itself as continuing to have a responsibility and interest in the health area, there are several opportunities evolving, especially emanating from the other legislation referred to in the first section of this paper.

One area of union involvement that may grow in the coming years is the union health center. There are relatively few of these throughout the nation. At least 130 of the 482 self-insured plans have one or more facilities,[4] but some non-self-insured union plans also directly operate health facilities. These plans are run usually by a labor-management board of trustees. The specific means by which the plans are set up, including financing, membership, and benefits, are part of a labor-management agreement. If the centers were to expand, for example, in a way different from what is specified in the contract, then presumably an alteration of the contract would be required.

In a study of the 22 union health centers operated in New York City, we found that a majority of the health plan administrators favored or were not opposed to the possibility of expanding the center to provide additional benefits for union members. However, there is reluctance, for a variety of reasons, to enlarge the membership of the center by including members of other unions or residents of the community living in the vicinity of the health center.

The question of the future direction of union health centers is becoming more relevant. Some centers are not now fully utilized and some offer only a limited range of services. Soon some must make basic decisions as to whether to expand or disengage totally. Consequently, one of the options is that some unions with health centers will attempt to convert them to group practice centers with comprehensive benefits attached. The extent of management's responsibility if the membership

[4] Louis S. Reid and Maureen Droyer, *Health Insurance Plans other than Blue Cross or Blue Shield Plans or Insurance Companies,* (Washington: U.S. Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics, 1970 Survey), p. 36; and Marjorie Smith Mueller, "Independent Health Insurance Plans in 1972, Preliminary Estimates," *Research and Statistics Note,* No. 11, Social Security Administration, May 3, 1974.

of the health center goes beyond that of its own employees will be an important question to resolve. In this respect labor will negotiate not only with management, but with community organizations, other unions, and probably with groups of doctors and hospitals before an expansion of this type can be realized. It is certainly clear on the one hand that management would look with some skepticism on a health center membership covering people other than its own employees and their families. On the other hand, federal funds for HMOs generally are not available for a single group of consumers. Some unions might accept nonunion members, but they will be reluctant to accept their representatives on the board of directors if this means giving up control over policy.

Some unions not previously involved in operating health services are likely to join or undertake to establish an HMO. The comprehensiveness of services offered is appealing, and there is the additional incentive of federal aid in the initial stages. Moreover, the HMO provides a union or group of unions with the opportunity to participate in making policy for the organization. Unions have more expertise in the health field than almost any other consumer group, and this is a valuable asset to exploit in developing HMOs into effective consumer-provider partnerships.

A second relatively new area for unions in the health field is through the Comprehensive Health Planning Agencies in their communities. There are almost 200 of these operating throughout the country; this is not their limit and every county or city of a particular size can and probably will have a CHP. These are the agencies on which consumers numerically dominate. These also are the agencies which will have the authority to make decisions about the use of health resources. Today their main power resides in decisions about physical facilities and equipment; it is quite possible, if they work well, that the amount of authority will be broadened to include decisions over allocations of health personnel and the services a particular health facility will render as opposed to other services and other health facilities.

Unions are only beginning to see that involving themselves in CHP boards and their subgroups will have a bearing on the future operations of a system of national health insurance. These CHP agencies may become the most important group for health planning, accountability, and evaluation. There will be cases where a union, requesting federal funds for an HMO or other health services, must have its application approved by a CHP board. In such cases union membership on the CHP would be important. Some unions realize that protecting their interests in the health field lies in their participation in CHP. Other unions do not yet recognize that CHP agencies have any relevance to union objectives.

Moreover, the number of union leaders available to serve on these boards is limited and would need to be increased through specialized training and educational programs.

Neither community groups nor health providers appear to be particularly anxious to accept a strong union role as part of a local CHP. This is another area, consequently, where union bargaining may become essential. It means negotiating for a role. In two years of effort in New York City where the central CHP is in the process of creating 31 decentralized district boards, a project of our Industial and Labor Relations School was able to assist only about 25 persons from the union movement to be accepted on these boards.[5] Two steps are involved: first, giving the union or its health representatives sufficient information and incentive for them to want to serve on CHP boards; and second, encourage the staff and leaders of the boards to look with favor on union participation. The basic problem often is the lack of communication between the union and the community and between the union and providers. But the time is now, when the membership of these boards is in a relatively formative state, to raise the issue of the inclusion on them of representatives of trade unions.

Unions have a great deal to offer to the average board of a Comprehensive Health Planning Agency. They bring expertise in negotiation, in handling grievances, and in the management of health plans. All of these skills are ones which CHP agencies need, particularly the consumer group on the boards. Moreover, even the provider group can benefit from receiving knowledge of unions based on their experience of negotiating and administering health benefits over a substantial period of time.

Another important area involving unions in the health field arises out of legislation to provide federal funds for the training of health professionals and paraprofessionals. Shortages of medical and health personnel are a leading cause of the great inflation in health costs, and without substantial increases in the number of health personnel available, a national system of health insurance is likely to suffer financially and qualitatively. Union personnel with some experience and knowledge in the health field have an opportunity under the legislation to qualify and receive training to become health professionals and paraprofessionals. There is great potential here for the utilization of union personnel with an interest in health. Administrators of union health

[5] The project referred to is the Trade Union Health Education Project, funded by the U.S. Department of Health, Education, and Welfare, the Public Health Service. The total impact of the project cannot yet be determined since only two years have elapsed since its inception. A report of two years' activities is available.

plans, for example, often are highly skilled in managing these plans; such skills are in short supply throughout the country.

A final area should be mentioned which is of great concern to labor and management. It is the extent to which improvement of the workplace from the standpoint of health and safety will become an integral part of a system of national health insurance and the operations of and benefits available from health maintenance organizations. For example, in health manpower there is a great shortage of industrial hygienists. However, there is a need to include in HMOs the capability of investigating situations in which illness may be work related. This will be particularly important for those HMOs serving members from nearby workplaces. Therefore, not only is there a requirement to train a large number of health professionals in the field of occupational health, but the HMOs and other group practice programs will be asked by unions to possess a capability to learn more about whether illness and disease are work related. This includes obtaining occupational information as part of a worker's medical history. To assure that a greater relationship will exist between occupational health and general health care of workers, additional knowledge and bargaining by labor will be required. Management too is not without an interest in this matter, because it stands to gain in the long run by accurate and current information concerning the impact of new substances and materials on employees' health.[6]

To conclude this rather brief and general look at the unfolding nature of labor and management involvement in recently enacted and proposed health legislation, a major point should be stressed. The union's role, to the extent one will exist, will be more in the protection of its members as consumers of the system than it will be in bargaining with management for basic health benefits. New areas for collective bargaining with management will open up as the health field recedes as a subject for collective bargaining. Unions and the community will increasingly see they have strong mutual interests in the health field in serving on CHP boards, in increasing the supply of health manpower, in creating prepaid group practice plans, and in relating occupational with environmental illness.

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[6] Occupational health frequently is not recognized by community groups as being important to them. Environmental issues often are seen by unions as detrimental to their interest in protecting jobs. Yet, these are the same issues basically, and union and community groups, unless they come to understand the similarity of occupational and environmental health, will fight each other rather than work together. A great deal of education about these and other health issues is urgently needed for union members and community groups.

Towards a National Health Care System — What's Relevant in the Experience of Negotiated Programs

DON VIAL
University of California, Berkeley

Introduction

Of some $80 billion in personal health care expenditures in Fiscal Year 1973, consumers paid for 35 percent out-of-pocket. The balance, 65 percent, was met by third-party payments.[1]

What these figures reveal and what is frequently obscured in the current debate over national health care legislation is the degree to which consumers already utilize either public or private mechanisms to "socialize" the cost of personal health care services. To a greater or lesser extent, all of the major proposals before the Congress would make further inroads against the remaining 35 percent that consumers still pay out-of-pocket. The Administration's bill, along with those proposed by the medical/insurance industries, carry relatively small federal price tags because they rely heavily on the expansion of private insurance mechanisms for socializing costs. The "National Health Security" program supported by organized labor carries a much larger federal price tag because it consolidates at the federal level existing private and public mechanisms for socializing costs and virtually eliminates the role of private insurance. Compromise proposals in between increase the amount of social insurance financing at the federal level, but at the same time preserve a major role for private insurance carriers both as fiscal intermediaries and as vehicles for writing supplementary policies to cover deductibles, co-insurance, and other uncovered costs.

The point of these distinctions[2] is that the desirability of socializing

[1] Barbara S. Cooper and others, "National Health Expenditures, 1929–73" *Social Security Bulletin* 37 (February 1974), p. 13.

[2] The distinctions emphasized gloss over many other important differences between competing proposals before Congress. There are many summaries of the alternative proposals available, the most widely quoted being: Saul Waldman, *National Health Insurance Proposals, Provisions of Bills Introduced in the 93rd Congress as of July, 1974,* U.S. Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics, DHEW Publication No. (SSA) 75-11920, July 1974. Analyses prepared by the supporters of National Health Security (S.3 and H.R.22, 93rd Congress) are also available. See, for example: "National Health Insurance: Diagnosing the Alternatives," *American Federationist* (June 1974), pp. 7–14; Leonard Woodcock, "Statement on Behalf of Health Security Action Council Before the Committee on Ways and Means," House of Representatives, May 10, 1974, reprinted in *Daily Labor Report,* May 10, 1974; and Committee for National Health Insurance, *Only Health Security* (Understanding *Your* Plan for National Health Insurance vs. President Nixon's Plan or the Mills-Kennedy Plan), April 1974.

health care costs, per se, is really not at issue. At issue is whether more or less reliance should be placed on public as opposed to private financing mechanisms.

Underlying this controversy, however, are even more fundamental concerns. They involve the compatibility of financial mechanisms with the goals of a national health care system. A major premise of this paper is that the financing mechanism(s) to be utilized in a national health care program should be fully compatible with the often expressed desire to establish a single comprehensive standard of health care for all as a matter of right; to bring spiraling costs under control; to enhance both the quality and outcome of health care services; and to otherwise achieve reforms in the delivery system which will utilize health resources more efficiently to maintain health as well as to treat the sick. It is in connection with these more fundamental concerns that the experience of negotiated plans is most relevant as the nation moves in the direction of national health insurance.

With emphasis on California's experience, this paper is confined to a brief review of some of the forces which have circumscribed the effectiveness of negotiated health plans. In the absence of a national health care system, no institution in our society has contributed more to the evolution of private mechanisms for diffusing personal health care costs than collective bargaining. Its creative use has given millions of workers and their families greater access to health care services. Yet it is significant that labor unions are today (as a trade union movement) the primary advocates of a form of national health care insurance which would virtually relieve collective bargaining of all responsibilities for financing health care.[3]

Negotiated Programs—The Potential for Creativity

With negotiated health plans leading the way, one of the most significant developments in collective bargaining during the post-World War II period has been the rapid growth of supplemental employee benefits as a percent of total employee compensation.[4] While some

[3] Under National Health Security, the health security trust fund would receive part of its contributions through a 1 percent employee tax on the first $15,000 of individual income. This could be negotiated to be paid by the employer. Beyond a few coverage gaps, there would be very little room for supplementation unless Congress watered-down the scope of benfits. However, removal of primary responsibility for financing health care does not mean that collective bargaining could not be used creatively in other ways to help covered individuals and their families to overcome nonfinancial problems that may effectively limit access to quality care on a timely basis. *Infra*, p. 28.

[4] See, for example, the U.S. Chamber of Commerce's biennial study, *Employee Benefits 1973* (covering both union and nonunion establishments), which places the value of employee benefits at 32.7 percent of payroll—an approximately 70 percent increase over 20 years. Other studies such as those of the Bureau of Labor Statistics show the ratios of supplemental benefits to employee compensation at somewhat lower

fringes are in the nature of "deferred" wages, others which provide for less than an equal distribution of benefits among covered employees are more in the nature of income transfers. Given both the magnitude of the funds involved and the political context in which union demands are formulated and contracts are ratified, it can be argued that much of the creative potential of collective bargaining in dealing with health care matters has been based on the effective authority of negotiators to socialize wages in a manner approaching the power of government to socialize income through taxes. In the same vein, some would argue that a capability approaching the power to tax should have carried with it a large measure of accountability to the public for the impact which the expenditures of negotiated programs would have on the ability of those outside the umbrella of collective bargaining to meet their health care needs.[5]

It must be borne in mind, however, that the use of collective bargaining as a health care vehicle was not necessarily a matter of preference for many labor organizations. Negotiated health care programs received a strong push from War Labor Board policies which opened the door to fringes when wages were under severe restraint and from the NLRB's 1948 ruling that health and welfare benefits were mandatory subjects of bargaining. But the real impetus to negotiated health plans came after organized labor and the Truman Administration were defeated in the late 1940s in their efforts to enact a national health insurance program which would have largely precluded the rapid growth of negotiated plans that was to follow in the 1950s and 1960s.

As a result, there are few negotiated agreements today that do not provide for some form of health care benefits. In California, where negotiated health plans are among the most advanced in the nation, 98 percent of workers covered by labor agreements have health plans, and in the case of the great bulk of these workers, the employer contribution—averaging $61.83 per month in the fall of 1972—covers the full cost of the negotiated plan.[6] Based on this average employer contribution (un-

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levels, but the reported trends are similar. See, for example, George Ruben, "Major Collective Bargaining Developments—A Quarter-Century Review," *Current Wage Developments* (February 1974). Ruben's review is also summarized in the *American Federationist* (May 1974).

[5] The reference here is to both the inflationary impact of negotiated programs and the financial underpinning which they have provided for an increasingly obsolete system of delivering health care. It can be argued that those outside the umbrella of negotiated programs, particularly lower income families, have been victimized both by rising prices and features of the existing delivery system which discriminate in favor of those who have insurance.

[6] *California Industrial Relations Reports*, Division of Labor Statistics and Research, California Department of Industrial Relations, No. 36 (April 1972), p. 5; also press release, "Sharp Rise of One-Third in Employer Payments for Health and Welfare

adjusted for negotiated increases since 1972), it is estimated that negotiated agreements in California generate over $1.3 billion toward the health care costs incurred by the state's approximately 2,180,000 union members and their families.[7]

Assuming that California unions generate about 12 percent of the nation's negotiated health care dollars, the California figures would indicate that collective bargaining accounts for well over $10 billion in potential health care purchasing power in the U.S.—close to 50 percent of the $20.5 billion in private expenditures covered by insurance benefits in 1973.[8] While these figures are extremely crude, they provide some perspective regarding the pacesetting role assumed by collective bargaining in the development of private health plans.

Some Relevant Aspects of Experience with Negotiated Programs

1. Fragmentation and Experience-Rating

If a major goal of national health care legislation is to move the nation in the direction of a single comprehensive standard of health care with universal coverage, the experience of negotiated programs should provide conclusive evidence that continued heavy reliance on private mechanisms for socializing costs would be disastrous.

From the outset, it was a foregone conclusion that the extent of union organization among workers[9] precluded any possibility of negotiated programs achieving universal coverage. What was perhaps less fully anticipated was the degree to which wide disparities would develop not only between negotiated and unilaterally established programs, but also within the structure of negotiated programs.[10] Both in terms

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Benefits," California Department of Industrial Relations, June 29, 1973. The benefits paid for by employer contributions, of course, may fall far short of meeting the total cost of health care services required by covered members and their families.

[7] The estimate is made by combining two sources of data and does not include nonunion members who may be covered by negotiated plans.

[8] The figure cited for personal health care expenditures is from Cooper, *op. cit.*

[9] In California, between June 1951 and July 1973, the percentage of nonfarm workers in unions declined from 40.8 to 28.3 percent. *Union Labor in California, 1973,* Division of Labor Statistics and Research, California Department of Industrial Relations, p. 5. For the U.S. as a whole, covering the period 1958–1972, union membership as a percent of the nonagricultural labor force declined from 33.2 to 26.7 percent. Sheldon M. Kline, "Membership in Labor Unions and Employee Associations, 1972," *Monthly Labor Review* (August 1974), p. 68.

[10] For an analysis of variables affecting employer contributions for fringes, see William R. Bailey and Albert E. Schwenk, "Employer Expenditures for Private Retirement and Insurance Plans," *Monthly Labor Review* (July 1972), pp. 15–19. The authors found (by means of multiple linear regression analysis) that payments for supplementary benefits, including health insurance, "consistently made up a larger proportion of total employer expenditures for labor service in high-wage than in low-wage establishments, in large than in small establishments, and in union than in non-union establishments."

of dollar contributions[11] and benefit structures,[12] the reality of negotiated programs is that they have become a reflection of the power positions of unions in the industries in which they bargain. Today, the possibility of moving toward a single standard of health care is as illusive a goal under negotiated programs as the concept of universal coverage itself.

The significance of this experience bears heavily on the key role which private insurance carriers have played in the development of negotiated programs.[13] The indemnity plans of private carriers (experience-rated on the basis of utilization patterns of the covered groups) proved to be highly compatible with both the "crisis" nature of collective bargaining and the predisposition of most negotiators and trustees to deal with health care as a problem of financing alone without becoming seriously involved in the way community resources are organized to deliver health care services. The introduction of such concepts as deductibles, co-payments, exclusions, and maximums limited the liability of the insurer while making the claimant responsible for paying all costs beyond the fixed benefits provided in the plan. At the same time, to the extent that rising costs also became burdensome to the plan itself, experience-rating provided a mechanism for dealing with costs directly within the financial capability of the coverage group without coming to grips with the underlying causes of the cost increases.

By contrast, the advantages to be gained from *prepayment* approaches to health care—as distinct from *insured* approaches—requires a much broader recognition of the role of financing in relation to the delivery of health care services. Under prepayment plans, capitation payments and community rating are key elements in the structuring of health care services. The potential for achieving greater comprehensiveness of benefits per dollar of costs depends almost entirely on the incentives to be

[11] For example, in California in the fall of 1972, employer contributions to negotiated health and welfare plans ranged from a low of $7.00 to a high of $132.59 per month for full-time workers. Construction industry payments averaged $95.61, as compared with an average of $43.14 for all other industries in the state. In manufacturing industries, the average was $45.11 per month with a range of $8.00 to $85.80. Press release, *op. cit.*, footnote 6.

[12] In California, the range of benefits and coverages under negotiated plans was last reviewed in *California Industrial Relations Reports, op. cit.* The variations in benefit structures and coverages appear to be endless. Apart from prepaid group practice plans (primarily Kaiser in California), however, most plans still fall far short of providing comprehensive care.

[13] In California, insurance companies are dominant organizations through which basic health benefits are provided, accounting for 50 percent of the coverage of workers under negotiated programs. Together with Blue Cross/Blue Shield combinations, they account for 75 percent of the coverage. The remaining coverage of workers is distributed as follows: Kaiser Foundation Health Plan, 15 percent; self-insurance programs, 7 percent; other combinations, 3 percent. *California Industrial Relations Reports, op. cit.*, p. 46.

found in prepayment plans to organize and utilize resources efficiently to preserve health as well as to treat the sick.[14] When burdensome cost increases occur under prepayment plans, it is difficult to deal with them without confronting the underlying causes. Unlike experience-rated insured plans, community-rated prepayment plans tend to undermine the ability of negotiators and trustees to handle financial arrangements for health care as if such arrangements can actually be separated from delivery mechanisms, health care institutions, and the way they function.

What should be emphasized in drawing these distinctions between insured and prepayment plans is that the disparities which have developed between negotiated plans are due only in part to the fragmentation of the collective bargaining process itself. They are due in even greater part to the fragmenting effect of experience-rating. Once experience-rating was introduced through the indemnity plans, it became impossible for Blue Cross/Blue Shield service plans to be anything very different. In short, where the differential ability of bargaining units to generate health care dollars might have been mitigated by the coordination of purchasing power among them, experience-rating moved in the opposite direction, dividing bargaining units into good and bad risks and making islands of isolationism out of negotiated programs.

No amount of effort in California on the part of organized labor has been able to overcome this isolationism among negotiated plans. Over a period of more than eight years, dating back to 1965, the now defunct California Council for Health Plan Alternatives pursued numerous approaches to bridging the gap between negotiated programs, focusing on alternative ways in which the purchasing power of negotiated dollars could be pooled to bring about reforms in the health care delivery system. Much of the Council's effort was directed at dispelling the notion that dollars alone could somehow solve the health problems of workers without negotiators and trustees confronting the problems encountered by workers in gaining access to quality care. In its latter stages, as the Council turned to legislation out of frustration, its executive director summarized the organization's experience:

> "The hard truth to be learned from our experience in California is that there is no health market in the usual sense, that it is *public* policy that creates change, *public* funding that provides incentives for reform, and *public* accountability that makes institutions responsive to society's needs. . . .

[14] This is not to imply that all prepayment plans operate by this principle. There are examples of prepayment plans in California that offer comprehensive benefits, but make access to care very difficult and appear to operate on the principle of underutilization.

> "Private resources such as ours [those of negotiated programs], however large, scattered among thousands of purchasing trust funds, pouring money through hundreds of insurance companies and other intermediaries—those fragmented private resources cannot be focused and managed in a way that will bring about better health care in California or anywhere else."[15]

The Council's experience suggests that a single comprehensive standard of care, if it is to become a reality, must be embedded in the concept of a national health care program. It must be buttressed by a financing mechanism which covers the costs of health services on a budgeted basis without reference to good and bad risks, and which contains built-in incentives for fundamental reforms of the health care delivery system, with emphasis on preventive care and early diagnosis and treatment. Experience-rated, insured plans which exacerbate the differential capability of coverage groups to socialize health care costs have no place in such a system. To continue to give legal sanction to the concept of experience-rating in any form would be to build on the worst experience of negotiated programs.

2. Shallow Benefit Coverage and Overspecialized Services

A concomitant to the fragmentation of negotiated programs and to the dominance of indemnity and service plans has been the development of benefit structures which are heavily weighted on the side of in-patient care. The experience in California has been fairly typical of the rest of the nation. For example, 92 percent of negotiated plans in California provide for hospital visits by physicians, but only 65 percent provide for office visits. In the case of the latter, in over half of the negotiated plans, benefits for an illness do not begin until the third visit.[16]

The lopsided distribution of benefits in negotiated programs has been compounded by a growing tendency to treat covered members and their families like a "jurisdiction" for practitioners and purveyors of various plans and programs. In their preoccupation with removing financial barriers, negotiators and trustees have been encouraged to piece together an ever-growing number of fragmented plans for general medical care, major medical care, dental care, vision care, drugs, mental health, etc. Too often this proliferation of programs has become a substitute for coming to grips with how health care services are organized in the community. The end result has been a "smorgasbord" approach to health care that has helped to perpetuate a sagging system of fee-for-

[15] Testimony of Thomas G. Moore, Jr., Executive Director, California Council of Health Plan Alternatives, before the Subcommittee on Health, Committee on Labor and Public Welfare, U.S. Senate, December 2, 1971.

[16] *California Industrial Relations Reports, op. cit.*, p. 31.

service type of health care which even physicians today recognize is no longer adequate to meet the health needs of the population.

Health maintenance organizations (HMOs), based on the experience of group practice plans like the Kaiser Foundation Health Plan and the capitation approaches of medical foundations, are now being advanced as alternatives to the present prevailing delivery system. Their viability as alternatives, however, is very much dependent upon the type of national health care program in which they are encouraged and permitted to develop.

First-dollar coverage of services is at the core of prepayment and capitation approaches to organizing health care resources. In the experience of negotiated programs, such coverage is the antithesis of the approach of indemnity plans of private insurance carriers as well as the service plans offered by Blue Cross and Blue Shield. By the same token, national health care legislation that advances comprehensive benefits in the context of high deductibles and co-insurance requirements would have the effect of frustrating the development of HMOs, irrespective of programs and policies that may exist concurrently to promote them. Further, in the absence of a purchasing mechanism which provides a single level of comprehensive care without deductible and co-insurance requirements, the potential benefits of HMOs are likely to be limited to those groups which have the financial capability to offset coverage gaps in benefit structures.

The experience of negotiated programs in California with HMOs also indicates that capitation payments without controls can be just as open-ended as current indemnity and service plan financing. To be effective, therefore, provisions for capitation payments to simulate HMOs must be integrated with budgeting provisions which are designed to promote continuity of care and which require the development of internal monitoring and surveillance systems to control costs and to maintain quality standards established by appropriate agencies within a national health care system.

3. Controlling Costs and Quality

There is ample evidence in the experience with negotiated programs to support the view that cost and quality considerations are opposite sides of the same coin. On the one hand, the effectiveness of negotiated programs in increasing the demand for health care services has been an important factor in the rising cost of health care. On the other hand, the failure of negotiated programs to utilize their purchasing power to effect both cost considerations and needed reforms in the health care delivery system has entrenched and sheltered some of the worst medical

practices in the nation. As in the case of Medicare, more of the same can be expected from a national health care program unless specific provisions are included to deal with cost and quality controls as related issues.

It is well known that the type of health plan and the structure of benefits contained in a plan significantly influence utilization patterns. For example, under insurance company indemnity-type and under service-type plans, the rate of hospitalization, the length of hospital stays, and the incidence of most abused surgical procedures have been found to be much higher than under prepaid group practice and foundation-type plans.[17]

The upshot of findings such as these is that negotiated programs which tend to emphasize in-hospital service and surgery—without cost and quality controls—have encouraged the waste of health plan dollars. Largely due to the failure of negotiators and trustees to discriminate between the quality of facilities and services in the payment of benefits, they have fostered the proliferation of hospitals, the development of excess bed capacity, and the duplication of costly facilities and services with disastrous implications for both quality and overutilization problems.

In many metropolitan areas of California, small proprietary hospitals of generally inferior quality (many failing to meet accreditation standards of either the Joint AHA-AMA Accreditation Committee or the CMA) have been supported by benefit payments from negotiated programs, while larger, higher quality facilities have gone underutilized. In many of these substandard facilities, negotiated programs have been paying for surgery by physicians who do not meet Board certification standards for their specialty. Likewise, negotiated programs have been paying for laboratory services rendered through substandard laboratories which have proliferated around the small hospitals and which do not participate in the State Department of Public Health Performance Testing Program.

In these and other ways, negotiated programs have sanctioned the development of many low quality facilities and health services designed more to meet the needs (and frequently the financial ventures) of health care professionals and promoters than the needs of the community. Cobalt treatment and radiation therapy units, for example, have gone into many hospitals where there could be no community justification other than the professional convenience or investment interests of self-serving providers. At the same time, pressure from negotiators and

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[17] George S. Perrott and Jean C. Chase, "The Federal Employees Health Benefits Program," *Group Health and Welfare News,* Special Supplement (October 1968).

trustees seeking to advance the interests of consumers in community health planning has been noticeably absent.

Under comprehensive health care planning legislation, a network of voluntary government comprehensive planning agencies has been established at the state, regional, and county levels throughout California and the nation. Yet, planning to curb the kind of abuses mentioned above has hardly gotten off the ground, let alone planning to deal with health care in a comprehensive way by relating medical care to environmental considerations. The primary reason is that it is difficult indeed to plan even for hospitals and related facilities when the main thrust of voluntary health plans, including negotiated programs, is to meet the high level of demand for health services in a manner which promotes inefficient use of health resources, shelters substandard facilities, and rewards low quality medical care.

While it is easy to be critical of negotiated programs for their shortcomings in dealing with cost and quality problems, there is little evidence in the experience with Medicare and Medicaid to indicate that the federal or state governments have been able to do much better. In fact, the use of insurance companies and service-plan carriers as fiscal intermediaries to administer government programs has compounded many of the problems encountered by negotiated programs. This should not be surprising since these same fiscal intermediaries are also the carriers through which the great bulk of negotiated dollars for health care are expended. Their general lack of interest in developing monitoring and surveillance mechanisms to help negotiated programs come to grips with cost and quality problems, together with their performance as intermediaries in government programs, would suggest that they have very little to contribute to a national health care program.

4. Reform of the Delivery System

Much of the commentary in this paper concerning the experience of negotiated programs has highlighted the ways in which the expenditure of negotiated dollars has either failed to come to grips with needed reforms in the health care establishment or has had negative impacts on the organization and delivery of health care services. This is not to imply that the need for reform has not been recognized in negotiated programs, or that experimentation with new ways of responding to health needs has been absent. Where prepayment alternatives to prevailing indemnity and service plans have been available, as in the case of the Kaiser Plan, negotiators and trustees in most instances have overcome "establishment" roadblocks to their utilization.

In California's experience, capitation and prepayment have been

accepted as essential to the achievement of reforms in the health care delivery system. Indeed, in the current rash of activity to establish HMOs, the desire to utilize these payment mechanisms has been so great that in some instances negotiated programs have become the victims of a new brand of "prepayment racketeering."[18] The lesson to be learned from these incidents is that reforms in themselves can be regressive in nature when they are advanced in isolation of standards and criteria designed to carry out the goals of reform.

In the context of national health care legislation, both the desire and the need for reform in the health care delivery system poses serious problems for negotiated programs. While a number of negotiated programs have become involved in reform activities, as a whole the payment mechanisms developed through collective bargaining have not been sufficient to bring about desired changes in the philosophy of delivering health care. Where voluntary coordination has failed, as in the experience of the California Council for Health Plan Alternatives, piecemeal legislation enacted by Congress is beginning to bring the weight of public policy to bear on community efforts to develop organized systems of delivering health care. The impact of such reform legislation, however, is very much dependent upon the type of national health care legislation enacted by Congress. Herein lies the dilemma for negotiated programs.

Under national health care legislation which continues and/or expands the role of private financing mechanisms, negotiated programs would likely experience mounting pressures under HMO and comprehensive planning legislation to become more active in community efforts to bring about reforms in the health care delivery system. Although the chances of achieving significant reforms under such national health care legislation would probably be minimal, the financial mechanisms of negotiated programs would nevertheless be critical elements to the process of seeking reform.

Under the National Health Security program supported by labor, as pointed out earlier, collective bargaining would be relegated to a minor role as far as the financing of health care is concerned. The financial

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[18] It is important to distinguish between "prepayment racketeering" and the kind of criticism frequently leveled at the Kaiser Foundation Health Plan. There has been strong evidence among negotiated plans of growing dissatisfaction with Kaiser, based on the rapid escalation of capitation payments in recent years. It would be wrong, however, to interpret this dissatisfaction as reflecting any real disenchantment with prepaid group practice approaches to health care. The main problem with Kaiser is that group purchasers and consumers have been denied an effective voice in decision-making processes affecting both the cost and quality of services rendered. Dollar for dollar, Kaiser remains one of the best buys available in the provision of high quality health care services.

mechanisms of negotiated programs would all but disappear, depending upon the extent to which comprehensiveness in benefits is achieved at the outset. Yet, it is under National Health Security that the stimulus to reform in the delivery system would be greatest. Bearing in mind that the job of actually organizing health resources (even under the most powerful stimulus of national policy) must take place at the local and regional levels, can it be assumed in the absence of any meaningful financial involvement that labor and management will become active participants in the process of reforming the delivery system?

Some Concluding Observations

The question raised in reference to reforming the delivery system is not intended to be rhetorical. Although the primary focus of negotiated programs has been on the financing of health care service, it does not follow that legislation removing this financial burden would necessarily undercut the role of collective bargaining in health care. Relieved of much of their responsibilities for negotiating health care dollars and for attending to the endless problems of administering negotiated programs, negotiators and trustees would at last be free to concentrate more time on problems encountered by employees and their families in gaining access to high quality care and to maintaining health. Provision could be made in collective bargaining agreements for health care ombudsmen or health care extenders to work with members on problems of this nature and to improve the level of health education. New opportunities would also be created to assume community initiative in organizing prepaid group practice plans or other types of HMOs under the stimulus of capitation methods of budgeting and dispensing health care funds. Similarly, more attention could also be given to environmental conditions on and off the job which have a greater impact on health than the provision of medical care. In other words, there are many ways in which the creative potential of collective bargaining could be redirected from financial considerations to the actual health problems of workers and their families, while at the same time contributing to the solution of community health issues.

Opportunities such as these, however, may beg an even larger question on the minds of many negotiators and trustees. Organized labor has in fact cast its lot in favor of national health care legislation which would severely diminish the role of most negotiated programs as they currently function. With all of their shortcomings, these negotiated programs have an identity of their own in the minds of the negotiators and trustees who have nurtured them. Many unions have acquired what may be tantamount to a proprietary interest in their survival. Where these

proprietary interests may be weak, there are also many professionals living off these plans who are not inclined to give them up if they can prevail on trustees and negotiators to drag their feet in support of labor's Health Security Program. In the end, the outcome of these internal concerns may vitally affect the type of legislation eventually enacted by Congress.

II. AN ASSESSMENT OF THREE YEARS OF OSHA*

An Assessment of Three Years of OSHA: Management View

FRANK R. BARNAKO
Bethlehem Steel Corporation

I want to clarify what I believe is a common misconception. I guess that when people read about industrial death and injuries, they think of the large employer and industry. The National Safety Council (NSC) reports 14,000 industrial deaths in 1972. This report covers trade, service, government, transportation and public utilities, agriculture, construction, mining and quarrying, in addition to manufacturing. Comparisons are revealing.

Manufacturing which employs 24 percent of all workers accounted for 12 percent of the work-related deaths or nine deaths per 100,000 manufacturing workers employed. On the other hand, agriculture, with but 4 percent of all workers, reported 15 percent of the deaths or 61 per 100,000 agricultural-employed workers. Government, with 16 percent of the workers, reported 13 percent of total deaths or 13 deaths per 100,000 workers employed; and transportation and public utilities, with 6 percent of the workers, had 12 percent of the total deaths or 36 per 100,000 workers. Only trade, with seven per 100,000 workers, was better than manufacturing. Incidentally, 38 percent of the reported industrial deaths occurred in work-related traffic accidents and not in the work place. Contrary to popular conception then, manufacturing is but a part of the problem, not the problem.

As to management or employers, there is not any one viewpoint. They range from general satisfaction, subject of course to minor complaints, to those who would repeal the Act as an unnecessary infringement on employer rights and a general nuisance. Specifically, employers are concerned about six general areas.

* The paper presented in this session by Richard E. Gallagher, National Institute for Occupational Safety and Health, is not included in the published Proceedings.

First, the standards and compliance. Employers say: (1) The standards are complex and vague, difficult to interpret, and often impossible to comply with. (2) The standards are specification requirements and should be performance-oriented standards. (3) They are rigid and discourage innovation. (4) The cost of compliance far exceeds the cost of providing equally safe equipment and environment by other less costly methods. (5) Although the consensus standards adopted under Section 6 (a) "grandfathered" existing equipment, OSHA standards require old equipment to comply with these standards.

In the Occupational Safety & Health Act of 1970, Congress mandated the adoption of existing consensus standards principally at the urging of business. The Department of Labor (DOL) assumed that because business had worked with American National Standards Institute (ANSI) and the National Fire Protection Association (NFPA), those standards were agreed industry standards. But, the standards were drafted as recommendations for optimal work place safety and health without any thought that they would or should become law, and they were not drafted by industry consensus but frequently by representatives for a specific industry. That is, some were vertical and some were horizontal. All of industry was not represented on all committees, nor did other industries object to the standards as published since such standards did not apply to them.

Business did not anticipate the horizontal application of vertical standards. Unfortunately, in order to move quickly, DOL did just that. Thus, DOL adopted standards drawn by construction industry representatives and applied them across the board, including to in-plant general maintenance and repair and even to light home construction. On the other hand, many general industry standards were adopted for construction work. As a result, numerous operations are controlled and regulated by standards never intended to apply to them.

Since 1970, some general patterns to solution of these and other problems are developing. For example, Alexander Reis, Associate Assistant Secretary for National Programs, at a recent meeting of the National Advisory Committee on Occupational Safety & Health (NACOSH) stated that new standards would be performance type. As to existing equipment, he said, in effect, that since performance requirements would be the rule, employers would be allowed to adapt old equipment to performance standards so long as the work place and equipment were equally safe.

With respect to the criticism that the standards are vague, two courts have decided this issue and ruled that a standard is not vague when it is reasonably intelligible to prudent employers. While this may not be a simple solution, it is probably better than precise "laundry

lists" which may be unduly restrictive and could omit many hazards which should be covered.

The Department of Labor is, and has been, working to correct the problems of vagueness and inconsistencies and other problems. Many revisions have been made and more than 100 are now in process, but that process has been painfully slow. Meanwhile business is going slowly with compliance, knowing that as has happened in the past, a new standard or revision will change what needs to be done, as for example with the sanitation standard.

Business is concerned with the economic impact of the standards. On this issue, Secretary Stender recently said: "When the standard under consideration might have broad economic consequences, we go even further," and on November 27, President Ford, by executive order, required inflation impact statements of all executive agencies on major rules and regulations. One court has held that economic impact is a factor to be considered by the Secretary in drafting standards.

Precisely what this means will probably reach the courts in one or both of two cases, one of which is now in the Review Commission and one is on appeal from the Commission. An administrative law judge said that Continental Can need not spend $32 million for engineering controls to reduce noise when protective equipment would protect employees' hearing. The Review Commission, however, directed Goodrich Tire & Rubber Company to spend $1,250,000 at a business loss of $290,000 to install engineering controls and that providing protective equipment was not compliance.

Another issue is jurisdiction. Section 4(d)(1) exempts from the Act all other federal agencies which "exercise statutory authority to prescribe or enforce standards and regulations affecting occupational safety and health." Who is the safety regulating agency of a railroad or an ore mine? The jurisdictional issue as between DOL and other federal agencies, for example, Transportation, Interior, remains unresolved. Some agreements have been reached with a few federal agencies. The Secretary recently issued proposed guidelines, but there is strong opposition from Commerce, Interior, and Transportation. In addition, the Justice Department sidestepped the issue as between the Mines Enforcement Safety Agency (MESA) and OSHA jurisdiction in a suit by Alcoa to prevent MESA from inspecting three of its smelting plants. The dispute continues after three years of OSHA, and meanwhile business wonders which inspector will next knock on its plant gate and with what standards it must comply.

Enforcement procedures are most often attacked. Employers firmly believe that first instance sanctions are punitive and unreasonable, particularly when the violation is corrected during an inspection. Em-

ployers oppose penalties for nonserious violations and want discretionary, not mandatory, penalties for serious violations, particularly when serious violations are immediately corrected.

A large segment of employers would prefer that OSHA decrease compliance activity and do more about safety and health education for employers and employees. Further, there are substantial variations between regions of OSHA in numbers of inspections made, violations cited, and the amount and number of penalities. The same criticism extends to state programs as compared with OSHA.

Philosophically much can be said against first instance sanctions, at least for nonserious violations. In fact, a great many violations cited are so minor in nature as to be unlikely to cause injury or illness either at the time of inspection or at any time in the foreseeable future. The General Accounting Office (GAO) reported that in 1973 only 1.4 percent of violations were classified as serious. This also verifies the oft-heard comment that supervisors spend so much time correcting minor violations that they have little time for employee job safety training and major environmental problems. In fact, one of the most frequent employer complaints during oversight hearings was about the time used in complying with standards which should be devoted to employee safety education.

On the other hand, it is difficult to argue with the Assistant Secretary's statement when he said, "I know human nature well enough to recognize that there always have been some employers who would wait until an inspection before making any effort to eliminate safety and health hazards were it not for first instance action. To eliminate them would undermine OSHA's voluntary compliance effort."

The Department has responded to requests for educational safety and health programs and communication with employers. It has made grants for training to educational institutions and the National Safety Council. It runs its own training schools. It has published guideline booklets for employers listing the various standards and the hazards and the operations to which they apply. It publishes a complete loose-leaf information service available to the public.

In this connection, I would ask why, as to safety and health, does business want government to do what business should do for itself? Safety is as much a part of running a business as accounting, production, inspection, and quality control. There has been a strong voluntary safety movement in this country for 60 years. Had more employers participated, perhaps OSHA would not exist today. More employers should participate now. One might ask if this cry for more education and less enforcement is sincere or only a means to deemphasize enforcement.

Business, in supporting this legislation (OSHA) in 1970, urged that the states be permitted to assume responsibility for enforcing the Act if they desired to do so. However, business is not so sure that it wants state programs. Standards of some state plans can differ from federal standards and are more stringent, resulting in confusion for manufacturers of equipment and for multistate employers. Further, some state programs are unreasonably punitive and exceed the penalties of OSHA and indeed provide for penalties against supervisory personnel. For these reasons, many employers now oppose or are ambivalent about state programs. The Department should encourage or require uniformity of standards.

Several ways have been proposed. One is under Section 18 (c) (a) which restricts adoption of state standards which burden interstate commerce; variations of state standards from federal standards could contravene that section. Another possibility is through restrictions on grant money under Section 23 (g). State grants would fall below maximum funding where standards varied substantially from the federal standards. As to punitive state plans, OSHA might well consider finding that they are not as effective as OSHA since they might well militate against voluntary compliance.

Last but far from least are the statistics and records required. The health standards now in place and to be issued require monitoring of exposures and medical surveillance of employees. Many health professionals doubt that there will be enough clerical, medical, and hygiene personnel to maintain the records and to monitor the employee exposures and to make the physical examinations that will be required. Others question whether the requirements are realistic and necessary.

Further, Section 8(d) provides that information obtained by the Secretary of Health, Education, and Welfare or a state agency shall "be obtained with a minimum burden upon employers, especially those operating small businesses." The DOL must recognize the cumulative effect of health standards requirements on employers with multiple health hazards.

The Act directs the Secretary to develop and maintain "an effective program of collection, compilation and analysis of occupational safety and health statistics." The Bureau of Labor Statistics (BLS) decided to measure injury and illness experience on a base per 100 employees or 200,000 manhours. Unfortunately, this system ignores the causes or sources of injury. The work injury and lost work days do not tell what the DOL needs to know, which is problem hazard areas in the work place and what are the corrective actions. This is not news to DOL or BLS and it won't be easy to develop a system, but employers believe that the money assigned to this program should be spent on finding a

system which meets the need, not simply grinding out a mountain of statistics which mean nothing.

It's indeed ironical that BLS rejected the ANSI Z16.1 standard for record-keeping for various reasons, one of which is the broad discretion it allows in recording injury and illness. The new system was supposed to change all that. It doesn't. There is lots of room for discretion. Recently in one trade association 10 accident reports were submitted to a large number of safety and health professionals for their decision on recordability. The opinions ranged from none, to all, with numerous opinions in between.

Almost from the start of the OSHA program, employers said they needed help in interpreting the standards and learning how to comply. Employers asked for government consultative services without inspection for that purpose. The appropriations bill signed December 9 provides for consultative services in nonplan states, and $5 million from the inspection budget is assigned for that purpose. Consultative service programs are not simple. Very definite guidelines must be established. For instance, how many consultations is an employer allowed? How soon after a consultant's visit must compliance be completed, and how soon after a consultant's visit can an inspector arrive? Suppose the inspector differs in the method of compliance? Is the employer to be cited and fined? These and many other questions need answers.

In respect to all of the issues I have discussed, we should note that many of these criticisms have been heard in the legislative halls, and business has found allies in Congress. During the House debate on the appropriations bill, the bill was amended to exempt employers of 25 or less from compliance inspection. During the same debate, 95 members of the House voted to delete all funds for OSHA. Further, an attempt by a rider to attach many of the amendments to OSHA contained in the Dominic bill to the Non-Profit Hospital Employers Act was defeated by only seven votes—this from a Congress which only three years ago enthusiastically passed the Occupational Safety & Health Act of 1970. The appropriations bill was sent to the President without the numerical exemption, but this action in the House indicates the pressures from business constituents on the legislators.

I could add more issues, but these are the most pressing. Business knows that OSHA is aware of its problems and is pragmatic enough to know that as to some there will be no resolution. But for those that are and can be resolved, it wants faster action than has been the pace to now. And I am sure labor is not any more satisfied than business. Nevertheless, we have a common objective with government—the reduction of worker injury and illness.

An Assessment of Three Years of OSHA: Labor Department Veiw

ALEXANDER J. REIS
Occupational Safety and Health Administration, U.S. Department of Labor

A popular safety poster of a few years ago bore only a bold inscription "THINK SAFETY." OSHA was created to change the emphasis from "thinking" about safety to "doing" something about safety. I believe we are accomplishing that goal. Employers are not only spending more time attending meetings such as this to increase their knowledge of safety and health problems, but they are also making the necessary financial commitment by hiring trained safety and health professionals and by increasing the safety training of their workforce. Employees, too, are becoming considerably more aware of the importance of on-the-job safety and health. A recent United Steelworkers contract even carried a provision for a $2 million study of the health hazards surrounding coke oven emissions. In Washington, D.C., construction workers on the new mass transit system picketed the Department of Labor last month to demand more and better inspections. We were able to respond to their concern.

The first three years, and I say this without apology, have been developmental years for OSHA. We have encountered the same types of policy and administrative problems that any new business, labor union, academic institution, or governmental agency encounters. Yet despite these problems, I do feel that over the past three years we have made significant advances toward one objective—assuring safe and healthful workplaces for all Americans. OSHA has increased both the number and rate of its inspections; 26 state plans are now approved; OSHA itself has been reorganized, and the Office of Standards Development is being equipped to handle more effectively the complex and difficult task of dealing with health hazards in the workplace; hundreds of existing standards have been modified; and finally, OSHA's educational efforts are resulting in an increased awareness of the problem of workplace hazards in this country. It is about these contributions to worker safety and health that I would like to give you a better insight.

Since mid-1971, OHSA has inspected the nation's work establishments for violations of job safety and health standards. Each year the number and the weekly rate of these inspections have increased. We're

running about double the rate this year over last, without any decrease in the quality of the inspection. From April 28, 1971, through August 1974, OSHA made 172,000 inspections and issued 115,000 citations alleging 592,000 violations.

But the inspection program, though a vital ingredient of our program, alone cannot create a safe and healthful work environment. Voluntary cooperation by both employers and employees is necessary. We look on inspections as a compliance tool, but we are encouraging a different type of "inspection" to protect workers—self-inspection by employers themselves. The concept is "self-compliance" with the law. You may not be aware that the Occupational Safety and Health Act permits regulations to be issued requiring employers to conduct periodic inspections as part of their record-keeping function. It is possible that a rule may be issued by OSHA that will require self-inspection by employers. Certainly, no one is more familiar with his workplace than the employer, and, equally certain, no one has more to gain or lose from the conditions prevailing in the workplace than the employer.

So far as the federal OSHA inspections are concerned, we have changed our inspection priority to make imminent danger situations our first concern. We are targeting our inspections where they will do the most good. OSHA's long-established Target Industry Program which focuses inspections in five industries with high injury rates continues. So does the Target Health Hazard Program which does the same for five serious health hazards. A Special Emphasis Program on the dangers of construction trenching cave-ins is also continuing. There are still far too many death in the ditches.

The enforcement procedures of the Act are designed to ensure that hazards are remedied as quickly as possible. Issuing citations at the worksite can facilitate informing employers of the hazards to be corrected that much sooner. OSHA compliance officers have been directed to issue on-site citations under certain circumstances. Citations may be issued at the worksite following an inspection unless: (1) laboratory analysis is necessary in determining violations; (2) concurring advice of other safety and health specialists is needed; (3) legal advice is necessary or there are questions regarding possible duplication of effort with another federal agency; or (4) necessary documents are not available at or near the worksite. Previously, all citations had been issued by OSHA area directors as soon as possible after the inspection. Under the new rules, an inspector must still confer with his area director before issuing a citation, but this can be done over the telephone. I would emphasize that this procedure simply streamlines the process of issuing a citation. Penalties, if any, are still proposed by the area

director, and the employer retains his full statutory right to contest citation and penalty.

In order to ensure uniform interpretation of the standards by OSHA compliance officers in the field, OSHA is constantly identifying those standards which have presented enforcement or interpretive difficulties. A recent survey of OSHA's field offices has provided a list of standards containing ambiguous language or which require examination of enforcement procedures or policies. OSHA's Office of Standards Development is now examining this list and is working toward making necessary changes in the standards.

A second area of significant progress has been the implementation of Section 18 of the Act, which allows the states to assume responsibility for developing and enforcing occupational safety and health programs of their own. Presently, 26 state plans are approved, 18 plans are in review, we are proposing the rejection of one plan, five have been withdrawn, and six states or jurisdictions have not submitted plans. State plans now cover over 30 million working men and women, or more than 50 percent of the workforce.

The value of sharing responsibility with the states becomes especially obvious when the question of enforcement manpower is considered. A federal-state effort can provide a much larger inspection force than can be offered by a federal program alone. The 26 approved states are augmenting federal compliance activity by 1900 inspectors of their own. The advantage of their presence is indicated by these statistics: From October 1–December 31, 1973, nearly 128,000 inspections, including consultative visits, were made by inspectors in approved states.

The entire concept of state involvement includes more than simply number of inspections. Section 18 (c) of the Act provides eight specific criteria designed to create a minimum level of effectiveness against which state plan proposals are to be judged. A state plan may be approved even though one or all of its provisions do not fully meet the "at least as effective" requirements at the time of submission. However, such a determination is contingent upon satisfactory assurances that the state will, within three years after commencement of operations under the plan, take the necessary steps to meet these requirements. Such a plan is known as a developmental plan. To date, all approved state plans have been developmental at least in some respects at the time of approval. After approving a state plan, OSHA has discretion to exercise authority for at least three years "to the degree necessary to assure occupational safety and health." OSHA's policy is to take into consideration, as a relevant factor in determining the need for exercising

this authority in appoved states, the extent to which a state can operate at least as effectively as the federal program under its plan.

As a general matter, federal enforcement activity would be withdrawn with respect to a covered issue when the state has achieved "operational" status in that issue. The key elements in determining operational status in regard to issues under a state plan are: (1) enacted enabling legislation; (2) promulgated standards identical to or at least as effective as OSHA standards or which provide overall protection comparable to OSHA standards; (3) a review and appeals system in operation by which the employers and employees may contest enforcement actions; and (4) a sufficient number of qualified personnel to implement the plan.

The level of federal enforcement activity will depend upon the degree to which the above elements are present in issues covered by the plan. If any element is missing in an issue covered by the plan, the plan will not be considered operational on that issue and OSHA will continue to enforce with respect to that issue. Federal enforcement activity continues undiminished in the period between plan approval and the determination that a state has achieved operational status. OSHA monitoring activity begins immediately upon state plan approval. There is a three-part evaluation and monitoring procedure consisting of quarterly and annual reports on compliance and standards activity, a variety of regional monitoring procedures, and evaluation of complaints concerning state program administration. Any employee or other interested person or group may complain to the appropriate OSHA regional office of alleged shortcomings in a state program. If a state should fail to meet its commitment to remain fully operational, OSHA will not hesitate to take appropriate remedial action.

Unquestionably, the most misunderstood function of OSHA is its role in the writing and promulgation of safety and health standards. As you know, most of the general industry standards were adopted from existing national consensus standards published by the American National Standards Institute (ANSI) and the National Fire Protection Association (NFPA). Congress intended this, and it made good sense. After all, these were the standards most responsible employers had been observing for years. But there also were problems. The consensus standards were not written to have the force of law nor were they written as a single body of standards.

The problem faced by OSHA was to revise these standards in a manner that made them suitable for enforcement, easily understood by the employer, and easily located. Revising the language of the standards and culling out those that do not apply to employee safety has been

going on for three years. Almost two years ago the standards were indexed by hazard. Right now a project is under way to prepare indexes by industry. These indexes will enable employers in most industries to find the standards that are most likely to apply to their operations.

Last May, OSHA and NIOSH embarked on a project to improve upon the existing health standards now applicable to nearly 400 toxic substances. This $3.5 million, 2½-year project will not only establish safe exposure limits, but it will also prescribe safe handling and storage procedures, first-aid treatment for accidental exposure, protective clothing and equipment, monitoring techniques, and medical examinations to ensure employee safety and health. Also, within a year, we will have proposed standards in the *Federal Register* for most of the 15 criteria documents we have in hand from NIOSH. Now, when you hear that we have received a criteria document from NIOSH, don't automatically assume that we can immediately go to the *Federal Register* with a standard. The NIOSH proposal is not the end of the road, it is only the beginning. There are 22 milestones before we promulgate a standard, and that takes time.

The Office of Standards Development has been reorganized, and its staff of health professionals has been increased. It is proceeding with all possible speed toward the development of many standards, and it is doing so in a manner that I am confident will produce standards that meet the test—the test of law (where we often end up) and, at the same time, do the job it's intended to do—to provide a safe and healthful workplace.

A word about training and education: Since FY 1972 over 300,000 employees and employers have been trained directly by OSHA. A great deal of our effort has been aimed at training instructors in order to achieve a chain-reaction effect. A prime example of this has been our courses aimed at the construction industry. Since FY 1972, 2,700 job safety and health instructors have completed our one-week course in construction safety and health. It is estimated that these instructors have trained 93,000 construction supervisors who, in turn, have reached some 1.6 million employees.

A great deal of our training and educational effort has been oriented to the small business employer who has neither the staff nor expertise, in many cases, to understand his responsibilities under the Act. In 1973 OSHA contracted with the National Safety Council to supply training to small- and medium-size business employers free of charge. This instruction has already reached more than 120,000 people. We also began to use the resources of the University of Wisconsin School

for Workers and the National American Indian Safety Council to train more than 105,000 employers and employees. This year we have launched training efforts through the training delivery systems of the junior and community colleges, the AFL-CIO Labor Studies Center in Washington, D.C., the Amalgamated Meatcutters Union, and the Pennsylvania State Land Grant College System.

They tell me that if you don't think about the future, you're not likely to have one. We at OSHA have been thinking about the future, and we're "doing" something about it. Therefore, you can expect more from OSHA: more inspections; more standards, especially health standards; more training programs; more responsiveness from our field offices (we now have more than 100 of them across the nation); more actions by states with approved plans; more uniformity in standards interpretation; and, most important, more interest in what you are doing, and in the suggestions you have to offer.

I hope that I have contributed to your understanding of OSHA, its programs, and our views. What we are seeking—all of us together—is the best possible program to protect working men and women, like ourselves. We are striving toward a better tomorrow, and it is that vision of a better tomorrow that should spark our efforts and give vitality to our undertaking. We—you and I—have been given the rare and rewarding opportunity to further humanize the world we live in. This opportunity has come at a time when machinery, technology, mass production, and big government seem to be diminishing the importance of the individual. Ours, then, is a task worth undertaking. Above all, I'm confident you will agree that it's a goal worth winning.

An Assessment of Three Years of OSHA: Labor View

MICHAEL WOOD
International Brotherhood of Boilermakers

Experience Under the Act

The primary shortcoming of the Occupational Safety and Health Act as the last three years' experience indicates is that it provides too many phases of postponement of responsibility to the employer. An example is the employer's right to challenge the Act's enforcement through appeal in the courts. Furthermore, the employer is granted a favored position where imminent danger must wait upon a court's evaluation. This situation leaves the burden of exposure on the worker as compared with a loss of production to the employer.

This is an obvious example of unbalanced equities. The worker stands to lose life or limb. The loss to the employer is interrupted production. In addition, employers have received wide latitude in obtaining variances from a standard. Employers not only have secured long abatement periods of one to three years in accordance with the provisions of the Act, but they have received these long abatement periods by simply stating that they could not obtain proper personnel or equipment to construct or alter their facilities, oftentimes without furnishing the ample proof needed to substantiate their request.

Recent events and pronouncements indicate a further slippage in the administration's effort to protect workers' safety and health and portend a basic change in the federal government's philosophy in carrying out the basic intent of Public Law 91–596. Although I am not alluding specifically to the former Assistant Secretary of Labor's Watergate memo referring to the suggested dilution of enforcement procedures as a means of courting political donations from big business, it nonetheless illustrates the continuing thread of industry influence and orientation in the administration of the Act.

This leaning toward industry can also be gleaned by a recent decision of the U.S. Court of Appeals which ruled that economic considerations may be taken into account in setting OSHA standards. The court decision was in answer to a petition filed by the Industrial Union Department, AFL-CIO, which was seeking a review of the asbestos standard. The current Assistant Secretary of Labor has reinforced this policy in various

statements. In a recent statement to the Annual National Safety Council Conference held in Chicago, October 1974, he said: "In spite of what you hear and a lot of what you read, my administration is dedicated to providing technical assistance necessary for the business community to voluntarily comply with OSHA requirements." Again, in issuing the new noise standard, the Assistant Secretary reiterated the OSHA administration's concern for what a more stringent 85 DBA standard would have had on the economics of industry.

The administration's line in this regard has also been carried out by the Solicitor of Labor, William S. Kilberg, who recently stated "that the economic as well as the technical feasibility of Occupational Safety and Health standards is a proper concern of the Department of Labor in setting standards." He said, "The law requires a balance between protecting employees against Health and Safety hazards and ensuring feasibility. The Department of Labor interprets this as a mandate to evaluate the economic impact of a standard upon industry." In a speech before a labor and management group in Jamestown, New York, Kilberg added that the Department of Labor is not trading off people for dollars. Where there is a reasonable doubt, the decision is returned in favor of protecting human life and health. In citing a specific case ruling, Kilberg pointed out that while the employer is responsible for eliminating hazards from the workplace, he is not "absolute insurer of that workplace."

The criteria espoused by Mr. Kilberg and the Assistant Secretary of Labor would place on the scales of equivalence workers' lives and employer economic considerations. It must not be forgotten that the law was originally enacted to protect working men and women from possible injuries on the job and from possible health hazards at the place where they work. It has been estimated that OSHA, even operating as inefficiently as it does, saves workers $1.5 billion each year in wages which contributes, in turn, $8 billion to the gross national product. Yet, there is not one single provision of the Act which in any manner refers to economic feasibility as a factor to be considered in enforcing a standard. The Act was not designed to allow industry and/or industry-oriented OSHA compliance officers the prerogative of measuring the economic impact of a standard and withholding enforcement as a result of that consideration. Now it appears they have assumed authority by administrative fiat. The intent of the 91st Congress as set forth in the preamble of the Occupational Safety and Health Act—"To assure as far as possible every working man and woman in the nation, safe and healthful working conditions and to preserve our human resources,"—would be subverted and the Occupational Safety and Health Act would then become the legislative tragedy of our century.

Union members know too well that there never was a time when economic impact was not used by industry as an excuse to discourage enactment of social benefits such as social security, old age survivors insurance, Medicare, and recently national health insurance. Economic impact is once again being used to resist complying with the full intent of the law, only this time, it affects workers' lives.

The entire OSHA apparatus has an obligation to evaluate its own efforts in terms of the total safety and health and well-being of the worker, not as an increment of national treasure. It is adequate in itself to consider the safeguarding of the safety and health of the worker as a human being in contrast to his being a national asset of productivity. The worker must not be viewed simply as an economic entity. He is not the means to an end; he is the end itself. It is highly improper to assess the OSHA program, as many sources have done, by statistically computing the articles and items of production which have been salvaged by a reduced casualty list in the industrial life of our nation.

Much has been made of the rights and responsibilities accorded workers under the provisions of the Act. The enumeration of these rights for the 60 million workers covered by the Act, most of whom are *nonunion,* is an exercise in futility if these rights are not realizable. Unorganized workers cannot enjoy their rights unless they are capable of sustaining them. The majority of unorganized workers cannot put flesh on the basic provisions of the Act without union representation. Workers cannot be on an equal basis with management in the administration and functions of the Act unless and until they are represented by a union of their choice. Notwithstanding the statements of official spokesmen for government and industry, the record of the last three years will show that voluntary compliance with OSHA standards is still a hollow and unrealizable objective. It is a fact of our industrial life that an adversary presence and pressure of organized labor and mandatory government measures are needed to secure strict compliance with the law. Labor's assessment of the dismal performance of the Act is borne out by the three year study of OSHA operations completed by the Senate Subcommittee on Labor with assistance from the General Accounting Office, issued September 13, 1974.

In a letter to Secretary of Labor Brennan, the subcommittee chairman, Senator Williams, cited seven disturbing problem areas. They are:

1. After three years of record collecting, OSHA has failed to develop the necessary statistical information by which to measure OSHA's impact on safety and health conditions. . . .

2. There seems to be no uniform application of guidelines covering the issuance of citations in circumstances where there is employer un-

awareness of hazardous conditions; where multiple-employer worksites are involved; where there is no obvious employee exposure; and, where the employer agrees to the immediate abatement of a hazard.

3. There have been claims that OSHA is based on punitive measures rather than voluntary compliance. However, these claims do not seem to be substantiated by the available statistics. . . .

4. There have been instances of unduly lengthy periods between inspections and the issuance of a citation even where death of an employee was involved. Long delays, sometimes averaging over three months, are also involved in the processing of complaints.

5. OSHA has not exercised its authority to require employers to conduct inspections of their own worksites.

6. Inspection activity in the maritime industry has declined dramatically since OSHA's pre-emption of the safety and health program formerly administered by the Bureau of Labor Standards under the Longshoremen's and Harbor Workers' Compensation Act. . . .

7. OSHA has promulgated standards for only three hazardous substances in the past three years. Criteria documents submitted as long as two years ago are still languishing somewhere in OSHA's standards-making process.

Senator Williams' critique is a devastating indictment of a federal program that was heralded just over three years ago as a prime priority of the Department of Labor in the Nixon Administration.

Justice delayed is justice denied. It could well be pointed out that the administrative ineptness referred to in the aforementioned critique also applies to the workings of the OSHA Review Commission. The Commission, consisting of three presidential appointees, has proven to be a bureaucratic bottleneck. The Commission, with its backlog of over a thousand cases at last count, remains a convenient depository for the "Go Slow" philosophy of justice and equity for workers as advocated and practiced by industry and government. The three-man Review Commission has developed, as organized labor warned it would, into an obstructive device to insulate the Secretary of Labor from the direct demands of the workers covered under the Act.

Cancer in the Workplace

Another area of shocking neglect is the OSHA administration's lack of attention in funding field studies in the National Institute of Occupational Safety and Health and for toxicological research in the National Institute for Environmental Science. In addition, research programs aimed at the study of petrochemicals such as and including vinyl

chloride were not funded and staffed. Studies such as these were eliminated from the program plans of these agencies. There is no rational explanation for this inattentiveness since the U.S. Department of Labor has been alerted by NIOSH and other agencies and institutions that millions of workers are risking their health and lives due to daily contact with carcinogens in the workplace. This shocking condition has not only been kept from the general public, but it has also remained an enigma to the very people it victimizes—the workers themselves. About 1,000 chemicals are known to produce cancer in man or other animals. Many times this number are suspect. One out of every four Americans will develop cancer and 90 percent of these cancers will be caused by a chemical. The worker has long been exposed to carcinogens in the community, but what is just coming to light is the enormity of the exposure of workers to carcinogens in the workplace.

Bold headlines publicizing the linkage of cancer in the industrial environment to the use and exposure of workers to vinyl chloride, asbestos, benzene, arsenic, and a host of other carcinogens has had little effect on increasing the appropriations for NIOSH, which is responsible for performing the basic research necessary for recommending health standards. Quite the contrary has occurred. NIOSH has been systematically starved for funds since its inception and its operations curtailed and restricted rather than being expanded to meet the needs of workers exposed to new pollutants and toxic substances in the workplace.

Labor Input

What has the labor movement been doing as the events and actions of the past three years of OSHA unfolded? The AFL-CIO has acted as a coordinating body in informing its affiliates of the lack of government commitment to protecting workers' safety and health. The main thrust of the AFL-CIO effort has been primarily a defensive one aimed at lobbying against a weakening of the Occupational Safety and Health Act such as the amendment to the appropriations for OSHA which would have excluded installations with 25 workers or less from coverage under the Act.

The AFL-CIO, which initially attempted to negotiate a better plan within each state as per Section 18B of the Act rather than blanketly opposing them, found that state plans were far weaker versions of the federal act. In general, the AFL-CIO position changed when upon close scrutiny it was found that state acts failed to meet the "at least as effective" test. Plus, the federal government did not possess adequate review standards and programs to evaluate state plans.

The AFL-CIO was so concerned with OSHA's reluctance to press for

strong state plans that it went to court and was successful, in December 1972, in having the U.S. District Court enjoin the Secretary of Labor from granting a six-month extension after December 28, 1972, for continuing state jurisdiction along with the federal for states with approved plans. Taking a more far-reaching action to prevent further fragmentizing of the federal safety and health effort, the AFL-CIO, its Industrial Union Department, and the Illinois State AFL-CIO instituted a lawsuit against the Secretary and the Assistant Secretary of Labor in the District of Columbia Federal District Court, asking for a permanent injunction to stop operation of all OSHA state plans now approved, and any further action on those under review.

The AFL-CIO October 1973 Constitutional Convention's position on OSHA pointed up labor's growing disenchantment with the implementation of the Act. The statement said in part: "States would also be urged to withdraw plans already pending, and not to submit new plans so as to prevent defederalization of OSHA—phase out completely Section 18 (B) by July 1, 1975, thus terminating any further state participation in standards and enforcement of the Federal Act."

The October convention also restated the AFL-CIO's position on other OSHA issues:

> At least 1500 new personnel are needed in OSHA and NIOSH for standards development, training, enforcement, statistical analysis, and legal work with regard to contesting citations.
>
> Coverage under the Act should include all public employees and those workers not covered by law.
>
> Provisions should be made for paying employees who "Walk Around" with an inspector and/or meet with inspector upon his request.
>
> Merger of NIOSH into the Department of Labor and elevation of its Director to Assistant Secretary status (to that of OSHA) should be effectuated.
>
> Workers should be permitted to contest citations on the same grounds as employers are allowed to do, and not solely on the length of abatement period as is presently the case.

Above all, the AFL-CIO correctly recognized that workers safety and health has become a political football to be tossed back and forth between the ineffective state plans and the weakened federal program.

Of late there has been criticism of the labor movement's lack of progress in the safety and health field. Some of the points made are well taken and should be recognized for their merit. However, the

strident statements of some ill informed lobbying groups display a bias toward organized labor and a total lack of knowledge and understanding of the functions of the organized labor movement. First, it must be recognized and understood that the labor movement is not a monolithic force. The international unions affiliated with the AFL-CIO are autonomous bodies and the local unions affiliated with those international unions also have their varying degrees of autonomy.

The national AFL-CIO, by means of its biennial convention and interim meetings, recommends national policy and objectives. The augmenting and effectuation of these recommendations have been implemented and carried out only with the consent of its affiliates.

The Task and Role of Trade Unions in Safety and Health

What can and have trade unions done to provide the professional capability required in the areas of occupational safety and health? Just as unions have succeeded in other areas of activity, such as in the knowledge of the law and in the understanding of economics, the interest of workers has demanded and required equivalent expertise with management in the safety and health field. It has become necessary for trade unions to develop, acquire, and support expertise and talent to serve workers in this field. It would be foolhardy for organized labor to expect an unbiased attitude and point of view from experts who are industry-supported and industry-financed.

Organized labor must seek assistance from organizations and institutions which are not beholden to industry and are not self-serving bodies. Such organizations and institutions do exist and have made significant contributions in the past several years. Innovative and pioneering efforts have been registered by new groups in the safety and health fields. They are: The Society for Occupational and Environmental Health, AFL-CIO Labor Studies Center, School for Workers—University of Wisconsin, operating under a Labor Department grant, and others.

The task of effectively assisting and promoting workers' safety and health is too broad in scope and the current force of labor's experts too minute to go it alone. Organized labor needs the assistance of government enforcement agencies, engineers, lawyers, chemists, teachers as well as the training of doctors, industrial hygienists, researchers, and other professional and technical personnel in the field of occupational safety and health, if it is to succeed in its efforts to insure a safe work environment for the workers in these United States. A coordinated effort between the foregoing professionals and the newly created safety and health departments of international unions would provide the type of ongoing programs needed by American workers.

The importance and seriousness which organized labor views its commitments to the safety and health of workers has far exceeded the state which existed a few years ago prior to the passage of the Occupational Safety and Health Act. Labor now finds itself engaged in a major collective bargaining effort over safety and health issues. The safety and health front has become a major item of collective bargaining and is assuming equivalent importance to major economic factors as a bargaining issue. Recent history confirms this turn of events: Labor's commitment and expanded activity in the safety and health field is demonstrable.

The Oil, Chemical and Atomic Workers Union national strike against the Shell Oil Company highlighted the safety and health issue as the important collective bargaining demand, and the most recent strike of the United Mine Workers demonstrated that the safety and health issue was and is a number-one priority in negotiations. A review of work stoppages in other basic U.S. industries in the past three years indicates that the safety and health issue is either the dominant or underlying cause for workers' unrest.

Safety and health grievances have been rapidly rising, and the time spent by union personnel engaged in processing safety grievances and OSHA complaints has more than tripled since the passage of the Act. This indicates most clearly that the worker not only recognizes but demands a safe and healthful work environment as a condition of continuing employment.

Conclusions

1. The intent and promise of the Occupational Safety and Health Act to provide a safe and healthful work environment has never materialized. The shunting of federal responsibility and the helter-skelter rush to return jurisdiction to the inadequate state plans are subverting the intent of the Act.

2. The Act has never received one of its most important ingredients—proper funding. In order to fully implement the intent and objectives of the Act, it is essential that the President request and Congress appropriate the funds necessary to successfully administer the Act. Without the funds to energize and activate the functions and provisions set forth in the Act, even the best written law will, in time, become mere promissory paper.

3. The labor movement must seek and obtain professional assistance in its struggle to implement the Act.

4. The experience under the Act in the last three years as evidenced

by a mounting workplace casualty list indicates that none of the benefits of the Act is self-generating. Labor will have to maintain continuous vigilance and demand continuous assertion of the effort inherent in the intent of the law. Above all, the bitter lesson to be learned from the past three years' assessment of the Occupational Safety and Health Act is that labor cannot trust its life to the good will of others.

III. APPRENTICESHIP

Wage Variations Among Former New York Apprentices*

THOMAS A. BAROCCI
Massachusetts Executive Office of Manpower Affairs

DAN VRANA
Cornell University

Over the 12-year period from 1958 through 1969, almost 68,000 persons either completed or dropped out of the registered apprenticeship program in New York. The apprentices were distributed among the five trade groups as follows: construction trades, 56 percent (38,060); metal trades, 11 percent (7,585); printing trades, 14 percent (9,518); mechanic trades, 10 percent (6,847); and miscellaneous trades, 9 percent (5,822).

In 1970 a comprehensive study, undertaken by the New York State Department of Labor, was designed to investigate how well the registered apprenticeship program achieved its objectives of developing qualified craftsmen in the skilled trades. Tested mail questionnaires designed to explore many facets of the apprenticeship program were returned by more than 10,000 former apprentices. Some of the aspects probed were the reasons for completion and the rate, the quality of and satisfaction with the on-the-job training and the in-school related instruction, suggestions for improvement of the program, and a general sketch of the types of persons enrolled and their post-apprenticeship wage and trade status experience.

Opinions vary as to the reasons for wage differences among trade groups. Yet, while considerable research has been undertaken to

* The research was carried out under U.S. Department of Labor Manpower Administration contract to Cornell University, No. 31-34-70-62. (Mr. Barocci formerly was an assistant professor in the New York State School of Industrial and Labor Relations at Cornell.) The authors wish to acknowledge the able help and support of the Division of Research and Statistics, New York State Labor Department, particularly Abraham J. Berman. The conclusions and opinions expressed in this paper are those of the authors and do not represent the official position of either the U.S. Department of Labor or the Commonwealth of Massachusetts.

identify the factors affecting the behavior of wages and wage differentials in many sectors of the economy, most notably the area of manufacturing, relatively little has been written about the determinants of wage rates for skilled tradesmen. The extensive personal, occupational, and economic information attained in the New York survey allows an opportunity to examine the empirical determinants of wage rates in the skilled trades.

A step-wise multiple-regression analysis is used in an attempt to account for the variation in the reported wage rates. Of the 9,539 usable questionnaires, 6,781 (71 percent) contained complete information and are included in the analysis. This sample has been tested and verified as a valid representation of the entire population of persons who served in New York apprenticeship programs over the 12-year period. The dependent variable in the analysis is the hourly wage rate reported for 1970.

The models were formulated on the basis of the findings of previous research on wage variations and, in some instances, by simply testing to determine which of the variables were significant predictors of wage rates. Those variables found to be significant at the .05 level were included in the final equations reported here. Many of our findings are consistent with and, indeed, were hypothesized as a result of the findings of other studies in the area of wage determination.

A general model was formulated and is specified as follows:

$$W = a + b_1O + b_2C + b_3U + b_4NY + b_5YR + b_6MO + b_7UT + b_8J$$

where W = hourly wage rate in 1970 (cents); O = occupational area of apprenticeship; C = dummy for completion; U = dummy for union membership; NY = dummy for living in the New York metropolitan area; YR = years since separation from apprenticeship; MO = months spent in apprenticeship program; UT = dummy for present trade in same area as apprenticeship; J = dummy for journeyman status or above; and a = constant.

The general model was first run for all of the respondents for whom we had completed questionnaires and then applied to the five specific trade groups mentioned above.

All Apprentices

The series of independent variables in the regression model "explained" approximately 40 percent of the variation in wage rates of the former apprentices ($R^2 = .408$). The coefficients shown in Table 1 are interpreted as the amount of change in the wage rate resultant of being in one category of each of the dichotomous variables versus the other, or from a one-unit change in the continuous variables.

TABLE 1
Actual Wage Rate Model, All Apprentices[a]

Variable	Mean Value	Regression Coefficient	F-Value
1. Occupational area of apprenticeship:			
a. Miscellaneous	0.071		
b. Construction	0.488	183.03	447.17*
c. Metal trades	0.236	15.97	3.19*
d. Mechanic	0.109	—7.29	0.53
e. Printing	0.096	1.14	0.01
2. Dummy for completion	0.778	30.79	16.70*
3. Dummy for union membership	0.703	77.57	223.46*
4. Dummy for N.Y.C. met. area	0.324	48.94	113.13*
5. Years since separation	5.025	3.89	42.16*
6. Months spent in apprenticeship	33.519	0.91	17.35*
7. Usual trade related to apprenticeship	0.90	30.25	14.35*
8. Dummy for journeyman or above	0.91	117.60	198.34*
$R^2 = 0.408$	Mean wage rate = $5.73		
$a = 201.74$	N =6781		

* Significant at the .05 level
[a] Dependent variable = hourly wage rate in cents.

As expected, the occupational area of the apprenticeship was shown to be a significant predictor of post-apprenticeship hourly wage rates. The direction of the influence must be interpreted in relation to the base group since all occupational areas were entered into the equation as one variable. Using miscellaneous trades as the base group, we find that those in the construction trades earn the highest wage ($1.83 above the base), metal trades the second highest ($0.15 above the base), miscellaneous trades the fourth, and the mechanic trades the lowest ($0.07 below the base). The ranking of the occupational groups is similar to the findings of a previous study of the Wisconsin apprenticeship program (Barocci 1972) in which the ranking was as follows: construction, graphic arts (printing), industrial, and service trades. The ranking is likely resultant of historic wage relationships among occupations rather than a measurable variable since unionization and completion status are held constant.

Completion status is significantly related to the former apprentices' wage rates. Completion of the indenture adds approximately 31 cents per hour to the average rate. Cross tabulation of completion status by wage rate revealed that those who completed their indenture received an average hourly wage of $6.08, while dropouts averaged $4.49. The difference between the two is $1.59 per hour, but as the equation shows, only 31 cents is accounted for by completion, the rest being the result of other factors such as the occupational area, union membership, and trade status. Thus, on average, completion would raise the yearly wage

of the ex-apprentices by only $600, possibly less than the opportunity cost of remaining in the apprentice status for the full term of indenture. Such a finding is somewhat akin to that of both Marshall, Franklin, and Glover (1973) who found that apprentice-trained craftsmen work more hours than other craftsmen (and thus presumably enjoy higher earnings) and Barocci (1972) who found that in Wisconsin completion added $728 to the post-apprenticeship average annual income.

As predicted, union membership was significantly related to hourly wage rates. Being a union member adds approximately 78 cents to the hourly wage rate. This finding is consistent with the conclusions of many who researched the union influence on wages. For example, Daniel Hamermesh (1971) found an estimated wage effect of approximately 20 percent for blue-collar unions; H. Gregg Lewis found that during normal periods (in the absence of unusually rapid inflation) the effect of unions on the average wage of all union workers relative to that for all nonunion workers was at least 10 percent; and Barocci (1972) found that union status, on average, contributed $1,000 to annual post-apprenticeship income.

The widely held notion that those who work in New York City earn more than their less urban counterparts was reinforced by the analysis. The results show that living in New York City is significantly related to the hourly wage rate, adding, on average, almost 49 cents per hour over all respondents. This finding is consistent with the results of a study by Victor Fuchs (1967) which shows a strong and consistent positive relation between earnings and city size. Average hourly earnings tended to rise with city size in every region of the country. Possible explanations for these differences include such factors as intercity differences in costs of living, disequilibrium in the relative supply of labor and capital, differences in the supply of and demand for labor, and differences in labor quality.

The length of time since separation from the apprenticeship program is also associated with higher hourly earnings. The coefficient of 3.89 indicates that for each year since separation hourly earnings increased by almost four cents.

The length of time spent in the apprenticeship also showed a significant relationship with hourly earnings, but its coefficient is so small (less than one cent for each month above the mean of 33.5 months) that it is of little importance in the determination of wage rates.

The variable which indicated whether or not a former apprentice was still working in a trade somewhat or closely related to his apprenticeship showed a positive and significant relationship to hourly earnings. A full 90 percent of the former apprentices still worked in the same area as their apprenticeship, and this factor added about 30 cents

TABLE 2

Actual Wage Rate Model: Dependent Variable = Hourly Wage Rate in Cents, Regression Functions: Construction, Printing, Metal, Mechanical and Miscellaneous Trades.

	Dummy for Completion	Dummy for Usual Trade same as Apprenticeship	Dummy for Union Membership	Actual Months spent in Apprenticeship	Dummy for NYC Metropolitan area	Years Since Separation	Dummy for Journeymen or above	R^2	*a* (constant)	Mean Wage Rate	"N"
Construction											
Mean Value	.84	.91	.89	35.54	.46	5.47	.94				
Regression Coefficient	56.30	59.59	146.59	.72	43.31	3.01	165.53	.378	244.75	$6.93	3306
F-Value	33.54*	33.41*	297.42*	8.02*	86.88*	19.56*	222.48*				
Printing											
Mean Value	.89	.95	.80	40.89	.27	5.43	.96				
Regression Coefficient	1.47	18.30	95.47	−.34	112.52	3.50	109.77	.409	269.51	$5.05	652
F-Value	.01	.96	105.10*	1.68	190.55*	12.55*	28.69*				
Metal Trades											
Mean Value	.74	.89	.48	32.23	.12	4.30	.88				
Regression Coefficient	8.09	−21.01	15.43	1.46	5.14	4.69	86.51	.030	321.63	$4.60	1598
F-Value	.11	.77	1.43	2.88*	.07	6.11*	13.11*				
Mechanical Trades											
Mean Value	.56	.85	.46	27.77	.17	4.56	.85				
Regression Coefficient	−8.41	−33.44	81.78	.75	70.26	2.95	98.98	.281	289.25	$4.23	744
F-Value	.39	7.63*	103.72*	2.54*	44.10*	6.58*	66.10*				
Miscellaneous Trades											
Mean Value	.68	.84	.45	23.37	.41	4.56	.83				
Regression Coefficient	−23.61	−7.59	20.06	1.62	50.97	9.22	101.99	.226	266.79	$4.41	481
F-Value	2.69*	.24	3.51*	9.98*	21.99*	35.55*	41.78*				

* significant at .05 level

to the hourly wages. Application of the knowledge gained while an apprentice definitely influences the earning power of the individual. The high proportion staying in the same trade is as expected because of the apprentices' substantial investment both in terms of time (an average of 33 months of work-study) and lost income.

The final significant variable is that indicating the status in the trade of the respondent (less than journeyman or journeyman or above). This variable was found to have the largest coefficient, save that indicating working in the construction trades. Thus, if one were interested solely in maximizing hourly wages, it would appear from this study that completion of an apprenticeship is not nearly as important as attainment of journeyman status and/or union membership.

It is interesting to note that the number of years of formal education was examined and found to have no influence on post-apprenticeship earnings. For apprentices, there is little payoff for formal education beyond high school.

While our model accounted for 40 percent of the variance in hourly earnings, this still leaves another 60 percent which is the result of factors we have not measured. From the general literature on wage determination, it would seem that such variables as the ability of employers to pay high wages (Slichter 1950), the strength of demand for labor (Reder 1962), the relative supply of labor (Mills 1972), the industry bargaining structure (Mills 1972), the crafts involved (Mills 1972), the occurrence and effectiveness of a strike (Mills 1972), the size of the bargaining unit (Mills 1972), the value of product per production man-hour (Schweitzer 1969), and traditional wage patterns are likely explanatory variables we have not been able to gather and examine.

Trade Group Models

The general model outlined in the previous section was also run for each of the five trade groups in an attempt to discover if the relative determinants of hourly wage rates varied by trade. The results of the five equations are presented in Table 2.

The table reveals a considerable difference in the ability of the models to predict wage rates for the trade groups. The amount of variance explained by the models ranges from a high of about 41 percent for the printing trades to a low of 3 percent for metal trades. Further, the number of observations in the trade models varies from a high of 3,306 in the construction trades to a low of 481 in the miscellaneous trades.

The mean hourly wage rate shows considerable variance across trades, with a high of $6.93 in construction and a low if $4.23 in the mechanical and repairman trades. The basic comparative statistics for the trade groups are shown in Table 3.

TABLE 3
Trade Groups by Mean Wage, Number of Respondents, and R^2 of Wage Model

	N	Mean Hourly Rate	R^2
Construction	3306	$6.93	0.378
Printing	652	5.06	0.409
Metal trades	1598	4.60	0.030
Mechanic	744	4.23	0.281
Miscellaneous	481	4.41	0.226
	6781		

Although the previous model (Table 1) showed that completion was a positive predictor of the wage rate for the full group of former apprentices, it is both positive and significant only for the construction trades where completion of the indenture is worth an additional 56 cents per hour. In the miscellaneous trades, the relationship is quite strong in a negative direction, perhaps indicating that for this particular trade group completion of apprenticeship cannot be justified in purely economic terms. The possibility of such an attitude is pointed to by the fact that about 83 percent of those in the miscellaneous trades had attained at least journeyman status, while only 68 percent had completed their indentures. It may well be that an apprenticeship program merely "opens the door" to the skilled trades and provides the apprentice with the opportunity to find an employer or union who will offer continuing employment once the rudiments of the trade have been learned.

The variable indicating whether or not the former apprentice's present trade is related to his apprenticeship is significant only for the construction and mechanic trades, but with opposite signs. Remaining in the construction trades appears to pay off with an additional 60 cents per hour. In contrast, remaining in the mechanic trades appears to have a substantial negative effect on wages of over 33 cents per hour. This finding may simply reflect a shift in this trade category to related subgroups which have higher rates of pay.

As was found in the model for all respondents, membership in a union has a positive and significant influence on wage rates in all trade groups save the metal trades. Almost 90 percent of all construction tradesmen were union members, and this factor alone gave them a 46 cent hourly wage advantage over their nonunion counterparts. In the printing trades the difference was about 95 cents, in the mechanical and repairman trades 82 cents, and in the miscellaneous trades 20 cents per hour. These findings reaffirm the wage benefits of union membership and show that the payoff for membership is greater in those trade groups with the highest union concentration. This is consistent with

the economic tenet which states that the greater the market control (over the supply of labor) of a union, the greater the likelihood that it will have a positive influence on wages.

By prescription and tradition, the indentures for the trade groups vary according to the apprenticeship agencies' interpretation of how long it "should" take to become a fully competent all-around tradesman. Our findings show a wide variance in the mean number of months spent in apprenticeship, with the printing trades having the longest average indenture (41 months) and the miscellaneous trades the shortest (23 months). Although the obtained coefficients are statistically significant, none shows even a two cents per hour gain for each month of apprenticeship.

It has been argued before, and will be restated here, that the length of the indenture is not and should not be the important aspect of an apprenticeship. The program should be tailored to match the needs and the learning rate of the individual with the needs in particular occupations (possibly as determined by some objective procedure such as job analysis). The type and length of training for one person in one area may be totally different from that which is needed by another person in a different, or even in the same, area.

The number in each trade group residing in New York City varied from 46 percent for construction workers to 12 percent for those in the metal trades. In all of the groups with the exception of the metal trades, the influence of New York City residence is both positive and significant. For the construction group, living in New York City raises the hourly wage rate by 43 cents; for the printing trades the increase is $1.12; for the mechanical trades it is 70 cents; and for the miscellaneous trades 51 cents. The simple implication is that New York City is the place to be for a skilled worker who wants to maximize his hourly earnings. However, once such factors as the higher costs of living and commuting are taken into consideration, this advantage may disappear.

Although years since separation is significantly related to wage rates in all trade groups, the magnitude is relatively small. This finding is not surprising since wages in the skilled trades are historically related more to trade status than to experience. Experience has the most income effect for those skilled craftsmen who either set up their own businesses or move into an organization where pay is based in large part on experience and seniority.

The variable reflecting the respondent's status in the trade proved to be a highly significant predictor of hourly wages. In construction, having journeyman status contributed almost $1.66 in the average hourly wage rates. The corresponding value for the printing trades is

$1.10; for metal trades, 87 cents; for mechanical trades, 99 cents; and for the miscellaneous trades, $1.02. In all trade groups except printing, the variable had the largest wage influence.

The lowest percentage of respondents attaining at least journeyman status (83 percent) is found in the miscellaneous trades category, while the highest percentage is found in the printing trades where a full 96 percent are at or above the journeyman level. Dropping out does not preclude attainment of journeyman status; the data reveal that 67 percent of those who dropped out of an apprenticeship program have journeyman status.

Becoming a journeyman will generally guarantee a higher hourly wage, and completion is the almost certain way of obtaining this status. However, there are other ways, since neither unions, employers, nor apprenticeship regulatory agencies can strictly enforce completion requirements. The availability of alternative means of obtaining journeyman status varies by trade and area.

Summary

The general model for all the former apprentices illustrates the critical importance of union membership, occupational area, and journeyman status for maximizing of wage rates. However, the preceding discussion highlights the fact that this general model masks some dramatic differences in the determinants of the hourly wage rates for the various trade groups.

Contrary to conventional wisdom, completion of the apprenticeship indenture is not imperative for either attaining journeyman status or gaining the same high wages as those who do complete. However, for the highest paying trades, particularly those in the urban areas, completion of the apprenticeship appears to pay off with higher wages. This may be the result not of the inherent value of finishing the apprenticeship, but rather of the ability of the unions in the area to "demand" that apprentices complete their indentures before being assigned to positions where the union is the sole supplier of the labor. Reinforcing this notion is the fact that there is a chronic oversupply of applicants for apprenticeship positions in the highly paid trades, thus making possible more stringent enforcement of the standards of the apprenticeship agencies.

Concerning the apprenticeship system overall—although one cannot argue with the efficacy of the tried and proven concept of coupling on-the-job training with in-school related instruction, there are many facets of the apprenticeship system that are in need of revision and, possibly, reorganization.

At one time it may well have been necessary for all those who were journeymen to have complete understanding of all facets of the trade. We believe that this is no longer the case. Certain trades in certain areas may still demand that each and every skilled tradesman become aware of and capable of carrying through any and all types of jobs related to the occupation. Yet, because of the ever-increasing specialization of work functions, many employers do not need the all-round skilled tradesman, but rather someone who can carry through a specific job. The point is not to argue that apprenticeship should be abandoned, but simply that it be responsive to practical needs and allow for flexibility in the amount of training required for various positions in the skilled trades. One way to accomplish this would be to modify the programs into modules which would reflect the needs of the employer and the ability and desire of the individual to match those needs. A modular system also would allow a person to "return" to training status to learn another more advanced or specific aspect of the trade if this became necessary. Possibly, the creation of a new title for those learning the rudiments of a trade would be a solution. For example, we might call one who went through the initial basic module a "journeyman," while the person who completed all modules and became the all-round tradesman could be given the "master" title.

In addition, there is a dire need to revamp the organization of the various apprenticeship agencies and regulatory boards. Often there is little relationship among national, state, and local standards and control. Some state agencies are under the Federal Bureau of Apprenticeship Training and others are not. Further, many are run in a backslapping manner and are controlled by the union interests. We can make apprenticeship programs a useful and expanded part of the overall efforts of manpower and training development in the U.S. only if they were to open up and be synthesized with the remainder of on-the-job and in-school skill training administered through the Comprehensive Employment and Training Act, the vocational and technical schools, and other private training programs.

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Apprenticeship in America: An Assessment[1]

ROBERT W. GLOVER
University of Texas at Austin

That there is a lack of attention devoted to apprenticeship generally is reflected in the fact that this is the first session on apprenticeship the national IRRA has ever held. Among the general public, lack of knowledge regarding apprenticeship is often compounded by a bias against manual occupations, including many apprenticeable trades.

Although the use of apprenticeship in America dates back to Colonial times, the current system of federally registered programs began with the passage of the National Apprenticeship (Fitzgerald) Act of 1973, administered by the U.S. Bureau of Apprenticeship and Training (BAT) and State Apprenticeship Councils (SACs) established in 30 states and Puerto Rico.

Conceptually, apprenticeship offers an ideal form of skill acquisition in highly skilled crafts because it combines theoretical learning (obtained in institutional or related training in the classroom) with practice at the trade (through on-the-job training in a tutorial relationship with an experienced craftsworker). Also, apprenticeship provides the trainee the opportunity to earn a living while learning. Finally, apprenticeship—especially in programs jointly sponsored by unions and employers—provides a formal system of broad training for the apprentice.

It is in the worker's interest to be as broadly trained as possible, especially in an industry such as construction, heavily impacted by seasonality and other changes in employment. Employer interests differ from worker interests in the matter of training. Because an employer does not begin to recoup costs in early stages of training, because s/he has no guarantee of keeping trained workers (especially in industries characterized by casual employment), and because the benefit of training accrues more to the industry than to an individual firm, many employers refuse to train workers, preferring to hire already trained employees. When cost-conscious employers do engage in training, left to their own devices, they tend to train narrowly.

Unions promote broad training in support of workers interests as

[1] Some of the material in this paper was produced under a contract with the Office of Research and Development, Manpower Administration, U.S. Department of Labor under the authority of the Manpower Development and Training Act of 1962, as amended. Researchers are encouraged to express their own judgment freely. Interpretation or viewpoints stated in this paper do not necessarily represent the official position or policy of the Department of Labor. The author wishes to thank Malcolm Liggett for helpful comments on a preliminary draft of this paper.

well as union interests. Broad training facilitates the job referral process and assists union officials to maintain and extend union jurisdictions, and to attract new employers seeking competent workers.

In light of such divergence of interests between unions and individual employers, it is not surprising that apprenticeship in America has largely been an extension of collective bargaining.

This paper first discusses the results of a study of apprenticeship programs jointly sponsored by unions and employers in the construction trades. Jointly sponsored programs account for approximately 80 percent of all registered apprentices; and approximately 60 percent of all registered apprentices are in construction. In the final section, the paper reviews sources of data on apprenticeship more generally.

Performance of Apprenticeship Graduates

A study of apprenticeship recently undertaken by the Center for the Study of Human Resources at the University of Texas at Austin sought to evaluate the performance of joint apprenticeship programs in six basic construction trades—bricklaying, carpentry, electrical work, ironwork, plumbing and pipefitting, and sheet metal work.[2] Data for the study were drawn from fringe benefit records and interviews with more than 1,700 workers, union officials, contractors, and other knowledgeable individuals in nine cities. Included in the sample were personal interviews with 1,234 union journeymen.

In summary, the findings revealed the following: (1) Apprenticeship has become a more important source of training in union construction over the past generation, than previously. (2) Former apprentices seem relatively well pleased with the training they received in their apprenticeships. (3) Apprenticeship graduates generally enjoyed more steady employment and thus greater earnings than did other journeymen. (4) Apprenticeship graduates tend to advance to supervisory positions more rapidly and more often than do other journeymen. (5) Minority membership in building trades unions has increased significantly in recent years among both apprenticeship-trained journeymen and nonapprenticeship-trained journeymen. Each of these points will be discussed in turn.

Although substantial proportions of union construction journeymen have learned their trades outside the apprenticeship system in the past (and will continue to do so in the future), the study indicates a long-run trend for an increasing proportion of craftworkers to come through apprenticeship. Overall, the percentage of interviewed journey-

[2] Ray Marshall, William S. Franklin, and Robert W. Glover, *Training and Entry into Union Construction* (Washington: U.S. Government Printing Office, 1975).

men who came through apprenticeship rose from 36 percent for union entrants prior to 1950 to 52 percent in the period, 1960 to 1972.

Followup studies of former apprentices indicate that though some have recommendations for improvement, apprenticeship graduates are generally well pleased with the training they have received.[3] Moreover, as Foltman notes: "Even apprentice training dropouts look kindly on their training, explaining that only financial hardship or the possibility of immediate financial gain influenced them to drop out of the training program."[4] Similar patterns of responses were indicated in interviews for our study.

It is reasonable to assume that the broad training apprenticeship graduates receive makes them more flexible and thus less vulnerable to unemployment. To test this assumption, representative samples of active journeymen were drawn from pension, vacation, and welfare fund reports. In comparisons of hours worked annually, apprenticeship graduates had greater employment stability than their informally trained counterparts. In 32 of the 41 locals surveyed, apprenticeship-trained journeymen worked consistently and significantly more than journeymen trained in other ways, while in only three locals did informally-trained journeymen work more. Data from six locals yielded mixed or inconclusive results.

Since all journeymen in a building trades local generally receive uniform hourly rates of pay, greater employment stability for apprenticeship graduates translates into greater annual earnings for this group. It should be added that because of the uniformity of wage rates found in construction, *annual earnings* rather than *hourly wage rates* is the appropriate indicator for income comparisons among building trades workers.

Since workers occupying supervisory jobs need to know about all of the work for which they are responsible, broadly trained workers are more likely to become foremen and superintendents than are narrowly trained specialists. Thus, it is reasonable to assume, as many writers have, that apprenticeship training produces significant proportions of supervisors. Indeed, followup studies of former apprentices have confirmed that a substantial percentage of those who had been trained through apprenticeship advanced to managerial and entre-

[3] U.S. Department of Labor, Bureau of Apprenticeship and Training, *Career Patterns of Former Apprentices.* Bulletin T. 147 (Washington: U.S. Government Printing Office, 1959); California Division of Apprenticeship Standards, *Survey of Completed Apprentices Certified by the California Apprenticeship Council in 1955* (San Francisco: Division of Apprenticeship Standards, California Department of Industrial Relations, 1960).

[4] Felician F. Foltman, "Apprenticeship and Skill Training—A Trial Balance," *Monthly Labor Review* 87 (January 1964), p. 32.

preneurial positions.[5] Our study attempted to take the analysis one step further by comparing the upgrading experience of apprenticeship graduates with that of other journeymen. In every test we conducted on the issue, apprenticeship graduates possessed a clear advantage. Surveys of contractors regarding their supervisors revealed that in 18 of 28 comparisons, apprenticeship graduates were more heavily represented in supervisory positions than in the local union as a whole. In only two cases was the reverse true, while eight comparisons yielded inconclusive results. Data from journeymen interviews corroborated results from the employment surveys. Although about three-fourths of the journeymen interviewed in the survey—regardless of training background—reported having some supervisory experience, apprenticeship graduates tended to work exclusively as supervisors to a greater extent (26 percent as opposed to 19 percent) than other journeymen. Further, among interviewed journeymen, apprenticeship graduates advanced into supervisory positions more quickly and at an earlier age than did other journeymen.

The evidence from our study indicates that apprenticeship is a vital, effective, and increasingly important source of training for the skilled construction trades. From the worker's point of view, apprenticeship constitutes the best form of training now used in the building trades, in the sense that it trains workers for a wide variety of skills, rendering its graduates less vulnerable to unemployment and more likely to advance into supervisory positions than their counterparts trained in other ways.

Of course, it should be added that the quality of construction apprenticeship programs varies considerably by trade and place. It would be a laudable—and formidable—goal to bring all programs up to the standards of the best.

Regarding minority participation in the trades, our study found indications of an upward trend. Minorities comprised 14 percent of the surveyed journeymen who entered unions between 1960 and 1972, compared with only 6 percent before 1960. However, other data are available to help substantiate this point. And this brings us to a discussion of sources of serial data on apprenticeship.

Data Sources on Apprenticeship: A Critique

The primary source of data on apprenticeship nationwide, of

[5] Charles E. Koerble, "An Appraisal of Machinist Apprenticeship Training Programs by Means of a Followup Study of Trainees" (Washington: Bureau of Apprenticeship and Training, U.S. Department of Labor, mimeographed, 1955); U.S. Department of Labor, *op. cit.;* and California Division of Apprenticeship Standards, *op. cit.*

course, is the Manpower Administration of the U.S. Department of Labor. Several data series have been compiled and distributed through the BAT over the years. The most long-standing, "Apprentice Registration Actions," which was produced from 1947 to 1972, provided an annual summary of new registrations, completions, and cancellations (including suspensions) by state and trade over the calendar year. No data on characteristics of apprentices themselves were included. A second major source of data, available from 1967 until 1972, was the "Apprenticeship Account Status Report" compiled semiannually from a survey (using Form 105) which covered only programs serviced by BAT or, in traditional nomenclature, "the federally serviced workload." Reports compiled from these data yield information on the sexual, ethnic, and racial composition of the programs by state, industry, and type of sponsor. Although the series offered interesting data regarding minority participation in apprenticeship used in U.S. Department of Labor news releases, its representativeness is subject to question since the federally serviced workload comprised a partial and varying sample of total registered apprentices.

During the past two years, work has proceeded to consolidate the two aforementioned series into a single computerized information system on apprenticeship designed to provide data on all registered apprentices by industry, geographic area, type of sponsor, sex, race, and ethnic background. Unfortunately, much delay has characterized the implementation of this new system so that as of October 1, 1974, official reports from it were yet to be issued.

In addition to data on apprenticeship, the BAT has distributed monthly reports on Apprenticeship Outreach Program (AOP) placements which have variously been called "Outreach Program Statistical Summary" or "Outreach Program Activity Summary Charts." Data in these reports are displayed by trade and Outreach program. Curiously, although Outreach programs were designed to facilitate participation in apprenticeship by minorities (and although reportedly 90 percent of AOP participants are minority[6]) the Outreach summary reports contain no classification by sex, race, or ethnic background. Also, placements reported by Outreach agencies are supposed to be verified by BAT or SAC officials; however, it is not clear that this function is consistently and universally performed. Thus Outreach Program Statistical Summary Reports are not as helpful as they could or should be in refuting charges made by opponents of Apprenticeship Outreach programs.

[6] Cited in U.S. Department of Labor, *Report of the Task Force on New Initatives in Apprenticeship.* (Washington: Manpower Administration, U.S. Department of Labor, mimeographed, 1973), Appendix A.

BAT data are also limited in that they cover only registered programs. Estimates are that anywhere from a third to a half again as many programs go unregistered. A partial explanation for the large size of the unregistered segment of apprenticeship lies in the insufficient effective incentive for sponsors to register their programs. For the price of increased exposure to federal regulation and an enlarged burden of paperwork, apprenticeship registration confers on sponsors the following benefits: (1) accreditation of the program for use under various GI bills; (2) wage advantages in the form of variances from minimum wage law requirements (which are rarely used) and permission to pay below prevailing journeyman rates on federal and federally-assisted projects under the Davis-Bacon Act of 1931; (3) improved access to school system facilities and curriculum materials for use in the related training portion of the program; (4) greater recognition for the program and consequent improved assurance to the apprentice of receiving meaningful training meeting minimum standards; and (5) automatic eligibility for military deferment under former draft laws. Many sponsors have weighed the price of registration against the benefits it brings and have decided against it.

Two other sources of national data on minority participation in apprenticeship are the U.S. Bureau of the Census and the Equal Employment Opportunity Commission (EEOC). Both of these data sources have severe limitations, however. Census data are limited in that they are collected only once every ten years. Further, because of questionnaire design, the Census considerably understates the total number of apprentices. The Census-taker merely asks what kind of work the person was doing the week before. If the respondent says "plumber" rather than "apprenticeship plumber," s/he would not be reported in the apprenticeship category. No probing questions are asked to ascertain whether the respondent works at apprentice or journeyman level.

The EEOC collects data on the participation of minorities in its annual Apprenticeship Information EEO-2 reports. Technically, the EEOC has jurisdiction over all apprenticeship programs, which, after 1968, served 25 persons or more. Statistics from the reports are occasionally published in articles[7] or news releases. One of the chief difficulties with the EEOC reports is obtaining comparable data from year to year since a different selection of local programs reports each year.

On state and local levels, records on apprenticeship are kept by em-

[7] Herbert Hammerman, "Minority Workers in Construction Referral Unions," *Monthly Labor Review* 95 (May 1972), pp. 17–26; and Herbert Hammerman, "Minorities in Construction Unions—Revisited," *Monthly Labor Review* 96 (May-1973), pp. 43–46.

ployers, local and international unions, and regional and local BAT and SAC offices. Partially due to (perhaps understandable) union distrust of the academic community and partially due to concern for protecting the rights to privacy of individuals to whom the records pertain, union files remain largely inaccessible to researchers and others. Further, unions generally lack adequate funding and staff to conduct their own research on apprenticeship issues. The quantity, quality, and organization of information available in regional and local BAT and SAC offices vary considerably by office. No standards for record keeping seem to apply and, as a result, data in some offices are so incomplete or badly organized as to make them almost useless.

In conclusion, data on apprenticeship are in sore need of improvement. On the national level, it is clear even from a brief review that sources of apprenticeship statistics do not even adequately fulfill a major purpose for which many of them were designed; namely, to reveal patterns of minority participation in apprenticeship programs. On the state and local level, SAC and BAT offices need to implement universal standards of record keeping which demonstrate a realization that apprenticeship records are just as important as high school records.

Available data from the various sources previously discussed indicate that minority participation in apprenticeship programs has increased dramatically over recent years. For example, in programs reported in the federally serviced workload, minority participation rose from 6 percent in January 1968 to 14.4 percent in December 1972. EEOC data and results from our study show similar results. However, the progress varies by trade and locality. The improvements made are probably attributable to equal employment pressures and the efforts of Apprenticeship Outreach programs, modeled after the pattern established by the Workers Defense League in New York City in 1964.[8] However, a thoroughly documented and conclusive evaluation of the effectiveness of Apprenticeship Outreach is yet to be made.

In view of the fact that training through apprenticeship appears to be so effective and successful and yet so little understood or appreciated by the general public, it is particularly disappointing that sources of data on apprenticeship are so inadequate. One of apprenticeship's best defenses is better documentation of its achievements in controversial areas such as minority participation. A sign of weakness is that this has been so long delayed.

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[8] A description of the New York program is contained in Ray Marshall and Vernon M. Briggs, Jr., *Equal Apprenticeship Opportunities: The Nature of the Issue and the New York Experience.* (Ann Arbor: The Institute of Labor and Industrial Relations, University of Michigan–Wayne State University and the National Manpower Policy Task Force, 1968).

Implications of Foreign Training Practices for American Apprenticeship*

MYRON ROOMKIN
University of Chicago

GARY B. HANSEN
Utah State University

During the last decade many industrialized Western countries have either overhauled or seriously considered changing their systems of industrial training, especially those segments such as apprenticeship which are intended to aid young workers in the transition from school to work. The United States is currently reconsidering her traditional approaches to apprenticeship training. An examination of foreign developments might aid us in our present reexamination by helping to place American practices in perspective and possibly by providing the ideas for fashioning changes domestically.[1]

Due to limitations of space, this paper is not a detailed account of foreign apprenticeship practices and policies. We offer here a very brief summary of foreign apprenticeship as a preface to our discussion of domestic reform based on foreign-inspired changes.

Industrial Training Abroad

After World War II, European countries experienced large increases in the number of apprentices and in the number of apprenticeable occupations. This expansion was based on the following principles of apprenticeship, many of which had been developed before World War

* The authors acknowledge the financial support of the Manpower Administration, U.S. Department of Labor, in their earlier studies of foreign training practices. However, they are solely responsible for the contents of this paper.

[1] An international comparison of apprenticeship systems is, of course, a risky exercise. There are numerous economic, political, and institutional differences between the U.S. and other nations whose practices interest us. Still it is worth noting that an international comparison of vocational and apprenticeship practices has been part of the reviews conducted by several nations. See Gertrude Williams, *Apprenticeship in Europe* (London: 1963); the report by the Australian Tripartite Mission, *Training of Skilled Workers in Europe,* which is summarized in D. L. Casey, "Which Way in Training Skilled Workers?" *Personnel Practice Bulletin* 26 (June 1970), pp. 100–108; Government of Ontario Ministry of Colleges and Universities, Manpower Training Branch, *Training for Ontario's Future: Report of the Task Force on Industrial Training* (Ottawa, Canada: Government of Ontario, 1973), pp. 36–61, hereafter referred to as "The Task Force on Industrial Training"; and AnCO, *Apprenticeship: A New Approach* (Dublin: May 1973).

II, which continue to influence contemporary changes in foreign systems:[2] (1) adolescents (usually 15–18 years of age) leaving full-time education to enter adult work should, wherever possible, undergo a period of training in employment; (2) training is of such importance that the control and supervision thereof should not be left entirely to the private decision-making of trade unions and/or management; (3) training should produce high standards of performance, safeguarded by rigorous monitoring and testing procedures; (4) training should include both theoretical and practical instruction and should be provided within the hours of a normal working week and under flexible arrangements; and (5) the government or designated agents assume all the costs of the theoretical and related instruction given off the job.

During the 1960s, several of these nations began to contemplate significant changes in their established systems of training youth in industry—for surprisingly similar reasons. First, rising levels of national wealth permitted an increase in the number of compulsory years of schooling, thereby creating skill shortages in many sectors of the economies. Second, a significant gap was perceived between the way apprenticeship was supposed to function and the way it did, especially with regard to the quality of training. Last, the pressure for training reforms was given impetus by two supranational developments: (a) the trend toward more liberal governments in Europe, who were anxious to use training and education policy as one method of income redistribution; and (b) the formation of the Common Market, which encouraged labor mobility and substitutability among nations.

To meet these developments a new model of apprenticeship emerged. Among the characteristics of this newer European model are the following:[3] (1) there is greater concern for improved coordination of apprenticeship with other manpower policies and for improved integration of vocational and regular education—the emphasis having shifted to improving all forms of vocational education and training;[4] (2) a variety of organizational structures have been created to facilitate government's in-

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[2] CIRF, *European Apprenticeship* (Geneva, Switzerland: 1966) provides the most definitive report on apprenticeship in those countries during that period.

[3] The thrust of the European apprenticeship systems is well illustrated by the following definition taken from the 1971 French apprenticeship law: "Apprenticeship is a form of education. It purpose is to give young workers who have completed their full-time schooling a general training, both theoretical and practical, with a view to their obtaining a vocational qualification based upon one of the diplomas in the field of technical education. This training, which must be preceded by a contract, is based partly within an enterprise (industrial, commercial, agricultural, or horticultural) and partly on a Centre for Apprentice Training."

[4] Beatrice Reubens, "German Apprenticeship: Controversy and Reform," *Manpower* 5 (November 1972), pp. 12–20.

volvement in the administration of programs;[5] (3) the transition of youth from school to work has been made even more gradual and has been placed under even greater amounts of control; (4) there has been renewed commitment to quality training practices, which has manifested itself in new monitoring arrangements and clear lines of accountability, along with substantial national programs of research in all aspects of industrial training and apprenticeship; (5) apprenticeship has been made more flexible to better meet the needs of employers and to give trainees the opportunity for further occupational growth and mobility, primarily through the introduction of the modular system of training;[6] (6) coupled with increasing flexibility in the training of apprentices at the outset of their careers has been the development of suitable training programs for adults; and (7) the trend toward greater public involvement in the financing of apprenticeship has continued, with some nations instituting special training taxes.[7]

Relevance of Selected Foreign Training Practices for the U.S.

An analysis of the implications of foreign approaches to apprenticeship and other forms of industrial training can be made at two levels: techniques and policy. At the level of techniques, selected practices and procedures might be adopted with beneficial consequences without changing fundamentally the goals or policy objectives of American apprenticeship. Some of the policy questions pose a much more fundamental issue: whether the principles of policy in foreign apprenticeship systems are worthy of emulation, even if this requires major structural change in the existing U.S. occupational training system.

Foreign experience, it has been suggested, offers the following examples of techniques and methods which have been used abroad to improve the quality and increase the quantity of foreign apprenticeship

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[5] See Friedrick Edding et al., *Cost and Financing of Post-School Occupational Education,* Bundestag, 7th sess., Printed Matter 7/1811; and a brief description of the structural changes made in the British training system in 1964 is contained in Gary B. Hansen, *Britain's Industrial Training Act: Its History, Development and Implications for America* (Washington: National Manpower Task Force, 1967).

[6] Sweden has gone the farthest of all continental countries in the introduction of module training programs, known as "polyvalent training," through legislation. See Chris Hayes, "The Shape of Things to Come," *Personnel Review* 4 (Autumn 1972). A general description of the technique can be found in A. E. Dowding, "An Introduction to Vocational Training Using Methods of Employable Skills," *International Labor Review* 107 (June 1973), pp. 553–557.

[7] After World War I, a tax (*taxe d'apprentissage*) was imposed on all French industry to provide funds for vocational education and training. Law No. 578 of July 16, 1971, imposed on all employers a charge of one-half of 1 percent of their total wage and salary bill as a contribution toward training and retraining.

programs:[8] (1) using cost subsidizations and financing policies to help employers meet the cost of and/or support the provisions of services to help employers improve training; (2) creating new administrative arrangements to improve coordination between apprenticeship and other methods of skill acquisition; and (3) improving flexibility in training through changes in the content and conduct of training.

Economic Support of Training

As practiced abroad, economic encouragements to increase the quantity and quality of apprentice training have taken three forms: (a) direct grants to employers from general revenues; (b) imposition of special training taxes on employers; and (c) stipends from general revenues to apprentices.

Grants or Credits. There is little doubt that grants or credits to employers from general revenues would increase the number of apprentices. This has happened in Europe. The justification is that apprenticeship is viewed as an extension of the educational system rather than as just a skill acquisition process. In the U.S. apprenticeship is primarily a program of highly general skill training which, if the conventional theory holds, is self-financing through the system of wages for production. Grants would be desirable only if apprenticeship were judged to create public benefits; yet we know of only two suggestive studies[9] that have found wage benefits of apprenticeship to be positive vis-à-vis alternative sources of skill acquisition. Similarly, it has not been shown to our satisfaction that an insufficient amount of apprenticeship is being conducted.

At the present time, there is far from enough evidence available to support a wide-scale program of public subsidies for employers in order to promote apprenticeships. We lack adequate information on employer training costs needed to design subsidy programs in apprenticeship and on the size of the alleged gap between initial apprentice wages and their productivity.[10]

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[8] See, for example, Gerald G. Somers, *Innovations in Apprenticeship: The Feasibility of Establishing Demonstration Centers for Apprenticeship and Other Industrial Training* (Madison: Manpower and Training Research Unit, University of Wisconsin, 1972), pp. 7–27.

[9] See Myron Roomkin and Gerald G. Somers, "The Wage Benefits of Alternative Sources of Skill Acquisition," *Industrial and Labor Relations Review* 27 (January 1974), pp. 228–241; and William S. Franklin, "A Comparison of Formally and Informally Trained Journeymen in Construction," *Industrial and Labor Relations Review* 26 (July 1973), pp. 1086–1094.

[10] See Myron Roomkin, "Improving Apprenticeship: A Pilot Study of Employer and Union Reactions to Foreign Training Practices," hereafter referred to as Roomkin, "Improving Apprenticeship" (Chicago: Graduate School of Business, University of Chicago, 1973), mimeo.

The effects of public subsidization might manifest themselves in program quality instead of quantity. One can only speculate about the net contribution of a subsidy, however. Without careful monitoring, the firm may decide to substitute public training dollars for its own, thus keeping the quality of instruction static.

Encouragement Through Taxation. In Britain, Germany, and France, government can tax employers who don't train apprentices and can use tax rebates or manipulations to reward firms that do train. The theory behind this approach is that nontraining firms get a free ride. Any significant grant activity needed to stimulate training in shortage occupations is provided from general public revenues.

On the basis of the British experience, which is perhaps the most instructive, we believe the use of the training tax would have a salutary effect on training only if it were used as the British *now* use it (and to some extent the French)—as a means to stimulate training in an industry on a cooperative basis and to provide services to employers that would otherwise be unavailable. The use of training taxes for redistribution purposes raises questions of fact about which we have no definitive information.

Stipends. In some foreign countries grants are given to young workers to defray the personal costs of apprenticeship, in recognition of the educational character of apprenticeship. Given the current view of apprenticeship in the U.S., stipends could be given if it were reasoned that the personal costs of indenture deterred an adequate supply of youth from entering apprenticeship.

As we evaluate the evidence, however, the standard measures of occupational shortage—rising wage rates, reported shortages of applicants or short queues to programs—do not indicate any unwillingness in the aggregate of youth to undertake indentures.[11]

In summary, given the paucity of factual data upon which to make an analysis, we would urge that additional research be undertaken to determine whether the complete reliance on the traditional wage mechanism to finance on-the-job instruction for apprentices is still practical in its present form.

Coordination and Integration Through New Administrative Structures

Foreign experience has suggested that a necessary remedy for the problems of coordination and integration in American programs is the creation of new administrative structures for apprenticeship and other

[11] George Strauss, "Union Policies Toward the Admission of Apprentices," in *Issues in Labor Policy*, ed. Stanley M. Jacks (Cambridge, Mass.: MIT Press, 1971), pp. 87–100.

forms of training—structures which give government or quasi-public bodies the responsibility for planning and coordinating all manpower and postsecondary vocational education policies, while relying on decentralized subordinate organizations to achieve integration and coordination for localities or industries. While the integrity of apprenticeship is generally maintained, it is treated as one of several methods of manpower development.

Some foreign administrative structures appear quite inappropriate for the American system and make sense only if all training in industry, not just apprenticeship, is to be coordinated. Perhaps more appropriate to the U.S. situation would be an administrative restructuring that resembles the structure recently recommended for Ontario by a special task force on training in industry.[12] The Task Force recommended that technical colleges (Colleges of Applied Arts and Technology) establish "Employer-Centered Training Divisions" (ECTDs) which would provide advisory services and technical assistance to apprenticeship and other employer training programs, while apprenticeship continues to function voluntarily under the auspices of Joint Apprenticeship and Training Committees (JATCs) or other arrangements.

We find the creation of research and technical assistance agencies to be quite noteworthy. They provide an effective delivery system to assist employers and JATCs in improving apprenticeship and other training programs. Roomkin found considerable support for such an agency in the U.S., even among those employers with the strongest objections to formal programs and craft unions who traditionally opposed government intervention.[13] The experiences with such a service as the Manpower Development Service at Utah State University are very promising.[14]

Increased Flexibility of Training

It has been argued that apprenticeship could be expanded if we, like the Europeans, made it less rigid. In other nations greater flexibility has been achieved through: (a) adopting the modular system of training on the job, which will necessitate the development of tools of occupational analysis; (b) more appropriate and efficient organizing of on-the-job training and related instruction (e.g., block release time), which will require improved coordination between vocational schools and

[12] "Task Force on Industrial Training," *op. cit.*, pp. 109–120.

[13] Roomkin, "Improving Apprenticeship," *op. cit.*

[14] This unit was funded by the Office of Research and Development of the Manpower Administration and has been functioning since July 1, 1972. The objectives of the project are to explore with selected employers whether, how, and what kinds of training advisory services are needed, sought, and can be realistically provided to them under the auspices of a university.

employers; and (c) shortening of the length of the indenture, which must be done selectively so as to maintain whatever economic returns employers now get from lengthy indentures.

Foreign Practices: For Better or For Worse?

Perhaps the most important lessons to learn from a study of foreign apprenticeship at the level of techniques is: The desirability of new departures in apprenticeship, be they foreign-inspired or otherwise, is extremely difficult to evaluate a priori. Many of the European techniques have been successful in their setting. What we do not know is whether the same degree of success could be achieved in the U.S. under the circumstances existing here. Since it is generally unwise to promote change for change's sake alone, it is preferable that a strategy of demonstration and experiment be designed to study systematically and adopt selectively proposals for change.

Policy Implications of Foreign Systems

At the level of principles or policy, foreign systems offer two important lessons: (1) apprenticeship can serve as a method of securing an orderly transition of youth from school to work; and (2) apprenticeship should be understood and developed within the context of all industrial training practices.

Apprenticeship as a Youthpower Strategy

To oversimplify, we face a significant choice of policy: We can continue to operate apprenticeship as a private system of training relatively minor portions of our youth as a matter of privilege in a limited number of occupations, striving, of course, for improvements in the quality of training. Or, we can recognize the need to bring the benefits of the apprenticeship method to larger numbers of youth, as a matter of right, in considerably more occupations. The choice is between apprenticeship programs for a few or youthpower programs for many.

At the present time, no consensus exists on the desirability of treating the work place as an extension of school. However, a great many people are bothered by the general problems of youth transition into adulthood, as the following would indicate: (a) the Panel on Youth of the President's Science Advisory Committee[15] has called for means

[15] James S. Coleman et al., *Youth: Transition to Adulthood, Report of the Panel on Youth of the President's Science Advisory Committee* (Chicago: University of Chicago Press, 1974), p. 3.

of bringing youth into adulthood; (b) there is widespread interest and investment in career education and its implication for youth; or (c) the recent interest in the problems of youth shown by the Labor Department and Ford administration suggest that a new consensus on a youth strategy may be emerging.

The motivation for a youthpower strategy might come from two deficiencies in our current system. First, were it demonstrated that youth unemployment (which persists at eye-opening levels) causes disproportionate and deleterious consequences for the subsequent earnings and occupational growth of adults, new, large-scale programs would be justified. Second, due to demographic changes, there will be a sharp reduction in available young workers for several years to come, possibly highlighting the need for a large-scale apprenticeship model in order to get youth out of school and into productive activities sooner.

Apprenticeship and Other Training in Industry

In other nations, apprenticeship is viewed as a special type of training in industry. This permits policy-makers to consider the needs of apprenticeship programs alongside those of other training programs and to improve the allocation of limited financial and training resources among programs.

By contrast, Americans still tend to view apprenticeship as a special type of manpower program—one authorized by separate enabling legislation, supervised by specialized agencies of government, and relatively secure and independent of shifts in federal manpower policy. (Our categorical treatment of apprenticeship is in marked contrast to the decategorized programs recently created under the Comprehensive Employment and Training Act.)

In this regard, the approach of Ontario is worth noting because of the similarities between the U.S. and Canada. In their recommendations, the Task Force opted for a continuation of apprenticeship as a minority system—with modest efforts to reform the existing system. Faced with what they considered the overwhelming rigidity of the existing system of private control over apprenticeship, the major emphasis was placed on institutional vocational training with the provision of a system of technical assistance to aid employers in improving all forms of training—including apprenticeship.

Without the consensus of, or crisis faced by, the European nations, we see little prospect of the adoption in the U.S. of training reforms more radical than those instituted in Ontario, as attractive as some of the other changes might appear.

Conclusion

The recent strides made by other nations in reforming and modernizing their apprenticeship and other training systems are impressive. At the level of both techniques and policy, the foreign models offer a substanial number of ideas and insights, many of which appear to be relevant and some that may have direct application to the American scene. The provision of competent training advisory services to employers is especially meritorious.

In order to take full advantage of these ideas, we must: (1) obtain complete and accurate data on our existing system and how well it is functioning; and (2) undertake a systematic program to sift and test the most appropriate ideas from the foreign experience. The research program sponsored by the Manpower Administration's Office of Research and Development during the past few years provides a good beginning at filling the lacuna—but only a beginning; a bold program of experimental and demonstration projects needs to be initiated.

Before initiating either of the above proposals, however, another significant finding arising out of the foreign experience should be carefully considered: When contrasted with the recent developments abroad in the field of apprenticeship, the current efforts to reform apprenticeship in the U.S. appear to be much too narrowly focused and modestly conceived. What is really needed is a concerted effort to look at our *entire* system of training (industrial, vocational, manpower) such as has been done in Ontario, Ireland, Germany, Britain, and other nations.

DISCUSSION

HOWARD G. FOSTER
State University of New York at Buffalo

A reading of these three interesting papers suggests three conclusions about the American system of apprenticeship: (1) it is healthy and prosperous; (2) it is in desperate need of reform; and (3) not enough is known about it to reach any firm conclusion. Since this ambivalence is reflected in much of the literature, it may be useful to preface a specific critique of the studies reported here with some comments about the difficulties of apprenticeship research.

There are, it seems to me, two major impediments to a broader understanding of the role and performance of apprenticeship in the United States. First, each of the authors has implicitly or explicitly called attention to the lack of comprehensive data, both longitudinal and cross-sectional, on the attributes of apprentices, the characteristics of various programs, and the subsequent experiences of apprenticeship-trained journeymen. (Glover's paper is especially helpful in this regard, for he shows that the problem lies not only in the absence of relevant data, but also in the deficiencies of those that do exist.) As a result, much of what passes for "knowledge" in this field is derived from desultory observations of practitioners with narrow or tendentious perspectives or from scholarly research based on limited and questionable samples. Generalizations are made on the basis of inquiries constrained by available data or by the professional interests of the researcher. To take just two examples: (1) most detailed apprenticeship research is confined to the construction industry, even though nearly half of all *registered* apprentices are found in other trades; and (2) though it is widely believed that a significant minority of apprentices (or perhaps even a majority) are in *unregistered* programs, these programs have received virtually no scholarly attention.

These methodological issues, however, may be less important than the conceptual ones. Thus, the second barrier to an assessment of apprenticeship is our failure adequately to address a threshold question: What are the appropriate criteria for evaluating the performance of the system? Once it is determined just what it is that apprenticeship is designed to accomplish, then a more comprehensive data base would doubtless help to ascertain whether those objectives are being met. It would not, however, contribute to the question of whether the aims of apprenticeship are consonant with the broader scheme of manpower

development and training throughout the workforce, or indeed whether they should be.

The significance of these questions is well illustrated by Dr. Glover's paper. It is, on its own terms, a well-designed and well-executed effort. The dependent variables employed—hours worked and attainment of supervisory status—are appropriately reflective of the reward structure in unionized construction, where wage rates tend to be uniform despite appreciable variations in the competence and productivity of individual workers and employment tends to be intermittent. The study shows that apprenticeship-trained craftsmen "do better," in that they are on the whole employed for more hours in the course of a year and have a greater propensity to become foremen and superintendents early in their careers. But these findings demonstrate only that apprenticeship is good for apprentices and for contractors who employ them. They do not say whether the system is turning out craftsmen in adequate numbers or in the right trades, or whether a different system would operate as well at lower cost. In other words, though the study makes a substantial contribution to the literature, it does not support the conclusion that "apprenticeship is a vital, effective, and increasingly important source of training" precisely because we have no consensus on just what the terms "vital, effective, and important" mean in this context.

Professors Roomkin and Hansen are admirably sensitive to many of the broader issues associated with apprenticeship. Their analysis of the European experience shows that, unlike the American approach, apprenticeship can be both an extension of the education process and a felicitous link between the worlds of school and work, as well as an important element of "youthpower" development. (If nothing else, the authors appear to have made a helpful contribution to the lexicon of labor market analysts, though one hopes that its natural antonym, "senior citizenpower," will be resisted.) But to say that apprenticeship *can* be all these things is not necessarily to say that it *should* be. Thus, these authors also neglect to specify the appropriate directions for American apprenticeship—an impossible task without addressing the issue of what apprenticeship should be designed to accomplish within the American industrial relations system.

In fairness, it should be emphasized that the authors are at times refreshingly diffident about the need to apply European lessons to the American experience. Unlike many critics, they do not take it as an article of faith that present levels of apprenticeship are numerically inadequate. They recognize, moreover, that the issue of public subsidies for apprenticeship is a complex one, and despite their somewhat ambiguous reference to "documented deficiencies in our current use of ap-

prenticeship," they do not leap to recommend an infusion of taxpayers' money to correct these unspecified deficiencies. Nor do they embrace the oft-repeated suggestion that apprenticeship as currently constituted is too lengthy. As one who runs a risk of permanent disfigurement each time he picks up a tool, I have long been skeptical of those who assert that fully qualified craftsmen can be produced in less than the prescribed time.

At the same time, although Roomkin and Hansen are meticulous in discussing the options available to US. policy-makers, they are less precise in delineating the criteria by which the alternatives can be evaluated. There can be no quarrel with their call for "more complete and accurate data on our existing system and how well it is functioning," or with the need to examine apprenticeship within the broader context of occupational training. But what do we do with these data once we have them? And can we fruitfully appraise the various approaches to skill development without first deciding what the overall objectives of training should be? The authors correctly note that "no consensus exists on the desirability of treating the workplace as an extension of school," but that question, it seems to me, precedes all others. Yet the debates in the apprenticeship literature barely take cognizance of it, much less specify the standards by which the school-work transition should be judged.

Finally, Roomkin and Hansen discuss a number of options for improving apprenticeship within its existing structure by making it more flexible. This is perhaps one area in which research can bypass the conceptual issues discussed above. It is not necessary, however, to look toward training forms abroad for paradigms; modular systems have been developed and used in this country as well, especially by nonunion employers, although these programs are usually unable to obtain formal approval from apprenticeship agencies. Very little is known about how these experiments have operated in practice and whether they have succeeded in maintaining an acceptable quality of training or in facilitating the skill acquisition process.

Dr. Barocci's paper relates only tangentially to the issues discussed thus far. In fact, it relates only tangentially to the issue of apprenticeship generally. The absence of any control group in the study makes it difficult to reach any conclusion about the performance of the apprenticeship system in New York. For example, the statistical significance of the union membership variable shows only that union workers earn more than nonunion workers; it says nothing about the value of apprenticeship training *within* union ranks or within the nonunion sector. The one variable used in the study which might have

offered some insights into the value of apprenticeship—that relating to completion of a program—is compromised by (1) the use of wage rates as the dependent variable, and (2) the failure to specify whether completers are more apt to be working in the trade for which trained than are noncompleters. In short, though Barocci's study offers a view of some of the factors which influence relative earnings of craftsmen in New York State, it is unfortunate that it does not reveal whether apprenticeship is one of them.

IV. ILO: PAST ACCOMPLISHMENTS AND FUTURE PROSPECTS*

ILO—Accomplishments, Prospects, Recommendations: The U.S. Employers' View

CHARLES H. SMITH, JR.
Chamber of Commerce of the United States

While I recognize the logic of discussing the ILO in terms of "past accomplishments and future prospects," I find it difficult to fit my thoughts into this framework. My problem with this format is that I have doubts about the past accomplishments and concern about its future prospects. And, I have to speak to these subjects with qualifications and reservations. It would be easier for me to talk about the employers' interests in specfic issues. However, I will dispose of this assignment on accomplishments and prospects before I deal with other perspectives.

A discussion of ILO accomplishments necessarily raises these questions: Accomplishments for whom? Accomplishments to the benefit of developing countries? Accomplishments for labor unions? Accomplishments for United States policy? Accomplishments for employers?

Now, to take these one at a time:

From the evidence I have about ILO programs, I believe the accomplishments in terms of the interests of developing countries are disappointingly limited. It is very difficult to measure the effects of ILO programs. What appears to be substantial spending—amounting to nearly $50 million a year in the ILO budget alone—is spread over the world among the developing countries, and the impact of ILO programs for workers training, employment creation, health and safety, and other activities is hardly visible.

ILO accomplishments in behalf of labor unions may be considered by most unions to be significant. The Conference and other meetings are forums in which the workers' wants are articulated and eventually

* The paper presented in this session by Edward Persons, U.S. Department of Labor, is not included in the published Proceedings.

reported in literature which is circulated around the world. To the extent that ILO literature is influential in broadening bargaining demands, and such demands are agreed to in labor-management contracts, I would think that some unions would credit these results as accomplishments. However, I leave to Bert Seidman and other union representatives the final judgment on ILO accomplishments relating to labor unions.

As for employers, we find ourselves in quite a different position than the unions. We do not cite our economic wants in ILO debates. We do not "demand" that the ILO urge workers to help increase productivity. Instead, the employers' role in these forums is to counsel that only reasonable and absorbable provisions be approved for the labor standards developed by the International Labor Organization. Although this effort may serve to make a "convention" or "recommendation" more workable for developing countries, I don't believe such an impact constitutes an "accomplishment" that clearly favors employers.

In terms of serving overall United States' interests in international affairs, evaluation of "accomplishments" is even more difficult. The U.S. is frequently condemned in ILO forums by most of the Communist countries and by some of the developing countries. So, it is doubtful that we are making any friends for U.S. foreign policy.

Now to turn the question around: Are we suffering any losses? Are we, in fact, losing friends among the developing countries? This is a question that experts in our State Department are in a better position than I to judge, but it is my opinion that the net "accomplishments" of the ILO in terms of total U.S. interests are, at best, neutral.

There are other factors to be considered in evaluating ILO accomplishments. Again, my view is qualified. If "accomplishments" means publishing the 80 to 100 publications each year, then this output goes down on the record as an "accomplishment." Or, if conducting 30 or more meetings and conferences a year is an accomplishment, then this record goes in the "credit" column.

But there are some negative weights to be assigned to ILO efforts. The ratification of ILO conventions is not outstanding. Only about 22 percent have been ratified by member countries, and even lower on the scale of achievements is the record of the application of conventions. Some countries tally up ideological "brownie points" for the ratifications and then take no effective action to implement the standards to which they have subscribed. I remember serving on the Committee on Application of Conventions a few years ago when one South American country flatly stated that there was no way they could carry out the obligations of six different conventions they had ratified 38 years earlier.

So, there is one view of ILO "accomplishments"—less than the good

intentions of the founders in 1919, less than the hopes of the international professional staff in 1974, and less than its potential, if the efforts of the participants could be constructive instead of divisive.

Now for the prospects: I believe the prospects for its future are bleak, and I will tell you why I hold that view. My reasons relate to the atmosphere, the environment for discussion. Although it is called the International Labor Organization, it is not an organization in the sense that it is a group of people cooperating to achieve common goals. Instead, it is a "congress"—a parliament, a general assembly—representing constituencies which are in conflict. There are several separate and opposing goals. Special interests are more common than common interests, and even the means to agreed-upon goals are in dispute.

The central division of opinion in ILO forums is between the East and West—between the Communists and the Capitalists. This is sufficient to create strong, divisive forces, but it is not the only source of drag. There are other important lines of division. I identify them in this order of importance: Second, there are the racial distinctions. These are inherent differences among peoples which cannot be changed. It often occurs that people divide on some issues according to racial interests. Third, there are the religious differences. I put this third because some peoples of different races are joined together by a single religion to which they have strong emotional ties. Fourth is nationality. This is weaker as a cohesive force than ideology, race, or religion. Next is the common interest of the peoples of a continent, like the Africans against the Europeans, or the Latin Americans versus the Northern Americans. Sixth is the difference of languages—for example, the French-speaking Africans against the English-speaking blacks, or the Spanish-speaking Latins differing with the English-speaking North Americans. Next to last are the economic interests—the "haves" versus the "have nots," the "poor" developing countries in contradistinction to the "rich" industrialized nations. Surprisingly, labor-management relations come last, and supposedly this subject, involving the conflicting interests between workers and employers, is what the ILO is all about.

All these differences are used by the Communists to isolate and derogate the Capitalists. It starts with the stated policy of the U.S.S.R. to use international organizations to advance Communism. The ILO is one of these forums. It is not the U.S. policy to advocate Capitalism. So, there is little ideological offset to the Communists' efforts to promote their system.

The Communist strategy is obvious from observation. It is this: (1) always identify Communist interests with the workers' interests; (2) always identify with the developing countries; (3) condemn Capitalism as the enemy of workers; (4) always portray Capitalism as the cause of

wars, and always portray Communism as the only hope for peace; (5) praise socialism—meaning Communism; (6) repeat Communist slogans at every opportunity; and (7) coordinate speeches of all Communist and pro-Communist countries to maximize repetition.

Now, this question: In this competition, is the Communist strategy effective? Well, if repetition of condemnations of Capitalism is persuasive to delegates from developing countries, then the Communists are effective. If, on the other hand the delegates from developing countries are sufficiently well informed, then the Communists are wasting their breath because the facts about their society do not support their claims for achievements, and the misrepresentations about the Capitalist countries are not believed.

But the level of success of their propaganda is difficult for me to evaluate. However, I am aware that propaganda has its effects. Hitler's propaganda, for example, although it resulted in a net failure, was sufficiently effective to misguide a whole nation. While we lack any "clinical" proof that the Communists are fully persuasive with their strategy, I have the gut feeling that the private enterprise countries should develop an offsetting information effort.

In the implementation of this strategy, the Communists have the convenience afforded by a monolithic system. The tripartite representatives, called government, worker, and employer delegates, are, in fact, all government representatives. Unified leadership is easily established, and it is obvious that one person calls the tune. In contrast, within the U.S. delegation, there is an understandable independence of views among the three departments of the federal government, the AFL-CIO, and the National Chamber. To the extent that this tripartite group is not in agreement, then coordination of an effort to defend private enterprise cannot be accomplished. So this is part of the environment of ILO forums which causes me to believe that the outlook for constructive effort is bleak.

But I have another concern. While the Communists, whose society is demonstrably lacking in freedom for workers, apply all the devices of persuasion usable in the forums of an international organization to advance their cause, much of the action by the free trade unions, which seek freedom for workers, is having the effect of aiding the Communists.

The unions' attitude appears to include these assumptions: (1) that all workers are "good guys"; (2) that all employers are "bad guys" and the natural enemies of the workers; and (3) that unions are always right in demanding more benefits. It seems to me that these views tend to twist out of focus the rightful role of employers and increase the already abundant frictions which exist among the participants in ILO forums.

To label all employers as the "haves," and all workers the "have nots," presents a distorted concept which compounds the problems of dealing with the real social and labor-management issues. I believe I am correct in assuming that in most countries there are both "haves" and "have nots." Certainly, there is a lack of uniformity in the mix of intelligence, resources, opportunity, and motivation among people in any country—any society. This partly accounts for why there are some economic "haves" as well as "have nots."

My point is that ILO is not in position to resolve all the problems which extend from inequalities among people, and it seems to me hardly probable that the varying economic conditions around the world are adequately explained by citing employers as the enemies of workers, or by representing the private enterprise system as inherently disadvantageous to "poor" people. Nevertheless, such distortions are contributed by some representatives of free trade unions.

What is more realistic, it seems to me, in the relationship between workers and employers is that both are on the same economic team. The common interests should be obvious. Trade union members who work for an employer that has no capital must supply their own tools and, with their own muscles, supply most of the power used in their work. These are the "toiling masses." A plantation, where workers till the soil with hoes, is a place where there is little capital used to provide tools. A crew that works with picks and shovels and wheelbarrows is a group of workers using minimum capital and maximum muscle. If we put 100,000 auto workers in an open field, separated from the tools—the capital—they use, they could not produce ten cars a week. Back in the factories where they work with the machines provided by the savings of Capitalists, they can produce more than 20,000 motor vehicles a week.

I hope my point is obvious—capital is important to workers. It seems logical to me that if capital is important to the well-being of workers, then their trade unions should do something constructive in ILO forums to help improve the labor-management team and preserve the private enterprise system.

I have another item of concern about ILO activities. It is the issue of multinational corporations. The ILO is being used by both the Communists and the free trade unions to attack multinational corporations, many of which are U.S. corporations. To describe the attack in the language of some of its leaders, let me quote from one of five resolutions relating to multinationals introduced at the 1974 International Labor Conference. From among the allegations are these statements:

"Considering that *international commercial relationships* are frequently *characterized by relationships of domination and exploitation,*

by forced specialization based on products the prices of which are *manipulated* by the countries which control the flow of trade, by imposing conditions for financing development which ensure that those countries receive the lion's share, by an *increased penetration of private capital* which takes no account of the needs and the development priorities of the countries concerned and by the *repatriation of profits* to the detriment of the legitimate interests of the receiving countries."

And another:

"Considering that the increasing development in recent years of the *activities of multinational industrial, financial, commercial and service enterprises* has had and is having very *serious implications for international economic and financial relationships* and the relationships between States."

And one more statement:

"Noting that multinational enterprises frequently use their economic power to bring pressure upon governments to adopt social policies which restrict the economic, social, cultural and trade union rights of the worker."

Based on the foregoing assumptions, here is one of the recommendations for ILO action. ILO should undertake a study with special reference to:

"The taking of measures by States to enable them to exercise supervision over multinational enterprises, more particularly as regards their future plans concerning employment, the location of factories, their profits, their dividends, their policy concerning prices, marketing, freedom of association, the repatriation of profits and policies of reinvestment."

That paragraph is one of 11 recommendations from a resolution which, although it was greatly altered in the course of the Conference, indicates the scope of controls which some of the critics would apply to multinational firms. Although the purposes of the attacks on multinationals are never stated directly, the basic motivations are clear enough. The Soviets attack multinationals because these corporations are the leading edge of the economic development of the Western nations. Therefore, the Soviet objective is to cut the growth and influence of the Western countries by cutting the influence of the multinational firms.

Some unions expect that their attacks on multinationals will force multinational bargaining which, in turn, will increase their already enormous economic and political power. This parallel action by the trade unions of free countries and the Soviet bloc seems to me to present a basic contradiction. If, together, they succeed in blocking and then shrinking the competitive operations of multinational private enterprise firms, the Soviets will gain and the trade unions will lose. The trade unions will have been a party to the destruction of the eco-

nomic mechanism from which their own members benefit.

The pros and cons of the charges made by the Communists and the unions are much too long to summarize, much less debate here. Besides, most of you know these arguments. That is your business in this field of labor-management relations. What I want to do is to contribute some information which may not yet have come to your attention.

The following statements are excerpts from the findings of a survey of more than 400 multinational enterprises operating in 54 countries. This survey was conducted by the International Organization of Employers, which has member employers organizations in about 80 countries. For the survey of multinationals based in the United States, the National Chamber circulated the questionnaires that were handed on to the IOE for compilation. In effect, here are answers to some of the questions you would ask:

"Companies within multinational enterprises report that in their dealings with the Trade Unions they follow, without exception, the law and in nearly all cases, the customs in the countries in which they operate."

"The replies also show that almost everywhere collaboration with the Trade Unions in comparison with the national companies is either normal, better than average or exemplary."

"Social security provisions are in nearly every case laid down by the law . . . ."

"The proportion of parent staff from the home country managing the subsidiary is very small. In many cases, however, there are none but nationals employed in the subsidiary especially when it has been established for a few years."

"The personnel function is almost without exception performed by a national as are most of the other managerial functions."

"The general trend is without exception towards the employment of nationals because the companies themselves recognize this as desirable in their own interests."

"In developed countries the multinationals pay virtually the same level of wages as companies of similar importance in their own industry, while in the developing countries, they appear to adopt a pattern of paying at the higher end of the wage scale."

"Instances abound of the provision of schools, clubs, churches, hospitals, theatres, housing schemes, roads, power stations, water and sewage works, etc."

"The majority of companies have increased their employment overall by percentages ranging from 10% to 40%, and more in many cases. Some of this has been due to mergers and acquisitions, but a lot to growth per se."

While these excerpts represent only a few sentences from the total report, it seems to me that even this summary of the findings shows a record of reasonable social responsibility.

And that is what the debate in the ILO is about. The ILO survey of several categories of multinational firms is still in process. When it is completed, if the findings support the claims of the employers, as shown by the IOE survey, then little harm will have been done. The charges will have been found invalid, and the ILO could drop the effort to hang an international regulatory millstone around the neck of our most productive economic mechanism.

If the opposite effect is the result of the study—if the ILO governing body moves to formulate complex restraints on the freedom of multinational firms to invest, risk, innovate, and carry on in a competitive environment—then I believe that the strong, constructive, and highly productive development activities of the multinational segment of the world economy will have been seriously damaged. And, I conclude that the free trade unions will have acted against the overall interests of their members.

The structure controversy has been carried on for several years. This issue involves the selection of countries to be represented on the Governing Body, which in turn establishes the ground rules for participation in committees, and, in general, guides the program of the ILO. The Communists are urging a change which would increase their voting power. The Soviet bloc and the countries under their influence argue that the present structure does not sufficiently reflect the proportion of the Communist states to the total world influence of the Communist (socialist) countries.

Of course, the structure is not now equitable. It is based on one-country-one-vote. Therefore, a very small country, with a population of about one million (and there are several about this size), has four delegates to the Conference—two from government, one from the workers, one from employers. And India, for example, with 600 million population, has the same number of delegates. Obviously, the inequality of representation is 600 to one. If voting power were divided equally, according to the proportion of the world population in each country, the predominant power in the ILO would be held by Asia, and this would be regarded as inequitable by the representatives from other continents.

There is another inequality. A majority, 51 percent of the member states—63 countries—contributes, in total, less than 5 percent of the ILO budget. By comparison, the United States contributes 25 percent. Obviously, the countries having the least financial stake, and, while paying, collectively, less than 20 percent as much as the U.S., have 63 times as

many votes as the United States. There appears to be no way to change the structure of ILO that will allot complete equality to all the countries and interests.

The United States, the U.S.S.R. and all the other member states accepted the structure, as established in the constitution, when they joined the ILO. Thousands of hours have been wasted in debate on proposals to replace one inequality with another to the effect that the minority could impose its will on the majority. This is another facet of the ILO environment which reflects the general political nature of what was intended to be a specialized organization.

Those are the views which reflect the several concerns of the U.S. employers who are knowledgeable about the International Labor Organization. It seems to me, after all the negative circumstances I have described, that many of you may have in your minds this question: How does the National Chamber rationalize its continued participation in the ILO? Part of the answer is this: An important segment of U.S. employers are affected by ILO activities, and the National Chamber has a responsibility to make an effort, even under difficult circumstances, to see that the views of U.S. business are accurately and objectively set before the forums which take action affecting business.

With regard to the Communists, they may change. Their theory is growing old. Their theology is getting thin. They may mature as their leadership changes from generation to generation.

About free trade unions, they may eventually choose to speak up in support of the private enterprise system and give deserved recognition to the vital role of multinational corporations.

So, we address ourselves to the question of how to be positive in a negative environment, and I believe that by being positive we may win on the important issues.

The ILO—Past Accomplishments and Future Prospects

BERT SEIDMAN
AFL-CIO

I want to commend my old friend and colleague, Nat Goldfinger, who, as this year's IRRA president and program chairman, has arranged for this session of the annual meeting devoted to an assessment of the ILO.

For reasons that I have never fully understood, in the United States there has been minimal interest and perhaps even less knowledge about the ILO, certainly as compared with Western European and even many developing countries in Asia, Africa, and Latin America. Even our neighbor to the north, Canada, has displayed much more interest in the ILO in recent years than we have.

Ask an American what the International Labor Organization is, and if he has heard of it at all, chances are he'll say that it's some sort of international trade union organization. This ignorance of and lack of concern with the ILO on the part of Americans is somewhat anomalous in the light of the large role that Americans, especially Samuel Gompers, played in its founding. Indeed, the ILO concept of tripartism—representation of governments, employers, and workers in one organization devoted to the welfare of workers—is often attributed to Gompers.

It is true that once the ILO was established, the U.S. did not join it until 1934 under Franklin Roosevelt's administration. But from that time until the present day, two of the ILO's constituent groups in the U.S., labor and business, have, at least at their top levels, shown considerable interest in the ILO. President George Meany, of the AFL-CIO, has been deeply interested in the ILO since he attended his first ILO meeting in the middle thirties. The U.S. employer delegate to the ILO in recent years has assumed that post immediately after stepping down as the chief elective officer of the Chamber of Commerce of the United States. I am happy to say that Charles Smith, who is here with us today and has had 20 years of experience with the ILO, will be following in that tradition in just a few months. He will succeed Edwin Neilan who during the past 10 years has ably represented American employers in the ILO.

But the U.S. government, in the executive branch or in the Congress, has not shown anywhere near the same degree of interest in the ILO

as the top levels of the AFL-CIO and the Chamber of Commerce. ILO matters in both the Labor Department and the State Department have been relegated to officials who were often able and dedicated but at relatively low levels in the hierarchy. This has meant that, except on rare occasions, decisions on even the most important matters arising in the ILO have not been made at cabinet or even subcabinet levels unless AFL-CIO or Chamber leaders forced the issues to the attention of the top government policy-makers. Likewise, with only a few exceptions, members of Congress have been completely indifferent to ILO developments, although a few members of the House Labor Committee (and occasionally of the Senate Labor Committee) have regularly attended the ILO annual conference.

Is the ILO all that unimportant? I don't think so, although I hasten to add that I don't share the exaggerated assessment of its accomplishments and potentialities of some of its most enthusiastic protagonists.

Let me turn now to some of the most important accomplishments of the ILO. The AFL-CIO and free trade unionists throughout the world have always felt that the ILO's most important achievement was the development of a comprehensive code of international labor standards in the form of international conventions (like treaties, binding on countries that ratify them) and international recommendations which generally set higher and more detailed goals but are not binding. This is a unique achievement of the ILO because the other UN agencies and the UN itself, while occasionally adopting international conventions, have not attempted anything nearly as ambitious.

The ILO international instruments, as they are called, cover a wide gamut of areas, beginning in 1919, the year of ILO's founding, with hours of work and now covering such varied areas as occupational safety and health, social security, protection of working women (now a controversial area), child labor, discrimination, forced labor, trade union rights, particular problems of maritime workers and fishermen, minimum wage machinery, and employment policy. These are only a sample of the subjects covered by 140 conventions and 148 recommendations.

In the 40 years since the U.S. joined the ILO, our government has ratified only seven conventions, all in the maritime field. I consider this a terrible misjudgment. Other democratic countries have ratified many more and in so doing, the ILO's labor code has played a surprisingly large role in those countries. For example, as of June 1, 1973, Austria had ratified 40, France 94, Germany 44, and the United Kingdom 67. Of course, some Communist and developing countries regularly ratify conventions with no intent to implement them.

Time does not permit a proper elucidation of the significant impact

ILO conventions and recommendations have had, but let me give a few examples. In two countries of which I have personal knowledge, the United Kingdom and Switzerland, discussions of legislation requiring equal pay for men and women took place in the framework of what those countries would have to do to ratify ILO Convention No. 100 on Equal Remuneration. In Japan in recent years, demands of certain groups of public workers for trade union rights were considered in conjunction with the eventual decision of the Japanese government to ratify Convention No. 87 on Freedom of Association. Many developing countries (and I believe some developed ones, too) have, with the assistance of ILO experts, drawn up their social security systems on the basis of ILO standards.

In addition to their direct impact on legislation in many countries throughout the world, the standards established in ILO instruments frequently influence trade union goals in collective bargaining. They also figure, though undoubtedly to a much lesser degree, in the objectives which are sought in ILO technical assistance missions.

What is even more remarkable than the adoption and ratification of international labor standards is that the ILO has set up fairly elaborate procedures and machinery for the supervision of their implementation by member countries. The machinery has by no means been completely effective, but it has not been altogether ineffective either, and such international machinery exists in no other organization.

I wish there were time to describe these ILO operations because I think they are most interesting. Suffice it to say that, to my mind, among the most important bodies in the ILO are the Committee of Experts and the Conference Committee on Application of Conventions and Recommendations, the Governing Body Committee on Freedom of Association, and ad hoc groups the ILO sets up from time to time in an effort to seek implementation of its standards in what it regards as particularly flagrant situations—frequently but not always in human rights areas. What is perhaps most unusual in all of this is that it frequently permits opportunities for worker and employer representatives to call governments to account for their failure to discharge ILO obligations and, amazingly, some of those governments do respond to these criticisms.

Because I have devoted so much time to international labor standards, I shall skip over lightly important areas which today require the bulk of ILO resources. I refer particularly to ILO technical assistance programs (called in the ILO, technical cooperation) in such fields as vocational training, workers education, cooperative development, social security, labor administration (i.e., development of effective labor departments),

management development, and assistance to employer organizations. All of these programs are aimed essentially at furthering the economic and social progress of the developing countries and thereby helping to improve the living and working conditions of their workers.

In recent years the ILO has undertaken what it calls rather grandiosely the "World Employment Program." Despite the pretentions of the title, it involves a modest but useful effort to give advice and assistance to a limited number of developing countries in how they can expand employment opportunities. Missions have thus far been sent and reports prepared for such countries as Kenya, Colombia, Iran, and the Philippines.

The ILO has developed broad principles in the field of human rights—forced labor, freedom of association and trade union rights, and discrimination. The principles are unobjectionable and indeed praiseworthy, but efforts to apply them have been both spotty and discriminatory.

Again time does not allow a full exposition of the record, but suffice it to say that particularly in recent years the ILO has demonstrated a lamentable double standard in its efforts to safeguard human rights. It has been concerned with forced labor in Liberia but not in the slave camps of the U.S.S.R., with discrimination in South Africa and Israel but not in Uganda, Poland, or Syria, and with denial of freedom of association in Chile but not in Czechoslovakia or Cuba. At rare intervals the Committee of Experts and even the Conference Committee on Application of Conventions have directed attention to laws, not just practices, in Communist and Arab countries that violate ILO human rights standards, but the ILO has made no effort to follow up on their disclosures.

To sum up, it is my view that the ILO has made a unique contribution in development and supervision of a code of international labor standards and a modest contribution in technical assistance, but it has a spotty and clearly discriminatory record in human rights, the field in which its spokesmen are often most boastful of ILO achievements.

Despite such shortcomings which I do not minimize, I would consider future prospects for the ILO moderately favorable were it not for the dark political shadow which hangs over the organization. Beginning with the return of the Soviet Union and the rest of the bloc countries to the ILO in 1954, the ILO has been beset with largely extraneous political issues introduced by the Communist elements in an ill-concealed effort both to gradually gain control of the ILO and to use it for their political purposes. Unfortunately, they have had marked success toward achievement of both of these goals. Once again, time does not permit anything like a

full exposition of these developments but here is a partial list of some of them:

1. The U.S.S.R. and its allies have used ILO forums for virulent political attacks on the United States (government, employers, and the AFL-CIO), Israel, and whatever other countries were the fashionable "enemies of progressive forces" of the movement. This goes on interminably and *ad nauseam* (literally) in the plenary sessions of the annual conference, its resolutions committee, and often the ILO Governing Body.

2. They have successfully kept the ILO from undertaking any action or even investigation of the brutal denial of human rights enshrined in the ILO principles in the U.S.S.R. and the other Communist countries. For example, except for some speeches by Americans and very few others, the Soviet forced takeover of the Czech unions and the incarceration in concentration camps of Russian Jews seeking to migrate to Israel have passed unnoticed in the ILO. This is to be contrasted with missions of investigation, which AFL-CIO representatives rightly supported, regarding denial of human rights in Greece, Spain and Chile (after but not before the downfall of Allende).

3. For more than a decade, they have sought to bring about far-reaching changes in the ILO's structure, including its basic tripartism involving autonomy of the worker and employer groups, in an effort to take over control of the organization. I regret to say that they have made considerable headway.

Taking a leaf from the Communists' book, others have learned also to use the organization for their political purposes. Most recently the Arabs, who with strong support and no doubt some tutelage from the Soviet bloc, have forced through the ILO annual conference a despicable resolution condemning Israel for alleged maltreatment of Arab workers while adamantly refusing to make use of ILO machinery to determine whether their allegations had any foundation. They are also seeking to have the so-called Palestine Liberation Organization, the Arab terrorist group, admitted to observer status in the ILO, and they may be successful as they have already been in UNESCO and other UN agencies.

What does the future hold in store for the ILO? Frankly, I am not optimistic. I am not optimistic because I see little likelihood that the democratic elements in the ILO—the unions affiliated with the International Confederation of Free Trade Unions (ICFTU) and the employer and government representatives from democratic countries—will stand up to the onslaught of the Communist, Arab, and other nondemocratic groups. To the contrary, they seem to be indifferent to the threat to the

organization and are doing little, if anything, to stem the totalitarian tide. The neutral elements in all three groups—government, employer, and worker—can see that the strongest winds in the ILO are blowing from the East and therefore more and more support the Communists on controversial political issues.

The result is that the ILO now functions on two quite different levels. One is nonpolitical and useful. I refer to what is sometimes rather invidiously called the technical activities of the ILO—development and supervision of international labor standards, technical assistance, and research. This accounts for most of the time of the ILO staff as well as of most participants in the annual conferences and other tripartite bodies. These activities are ongoing and, though restricted by the limited resources available, are undoubtedy useful and worthwhile. The other level is political and here, as I have indicated, great changes are taking place in the direction of a takeover of the organization by Communist and other nondemocratic elements.

The question that arises in my mind is how long the real work of the ILO can go on as it does without being drastically affected and twisted by the political transformation. If nothing is done to stop the capture of the ILO by the antidemocratic forces, they will also sooner or later determine the direction of the basic activities of the ILO and use these programs for their political purposes. One has only to think of workers' education or development of rural organizations to see what this would mean.

This is only a personal opinion, but I cannot imagine that the AFL-CIO would continue to support or even participate in the ILO under such circumstances. And I doubt that the U.S. Congress would continue to finance 25 percent of the ILO's budget. Indeed, it seems quite possible to me that a takeover of the ILO by the Communists and their allies could well be followed by U.S. withdrawal from the organization.

Since I think the ILO, on the whole, has a splendid record of accomplishment as well as future prospects of valuable assistance to the world's workers, I would regard the death of the ILO as we have known it as a great tragedy. But I do not see how the U.S. could continue in the ILO if it should be completely turned against its fundamental principles of human dignity and social justice.

U.S. Participation in the ILO: The Political Dimension

JOHN P. WINDMULLER
Cornell University

During the past two decades, that is, ever since the Soviet Union rejoined the ILO, American government, employer, and trade union representatives responsible for the conduct of relations with the ILO have frequently expressed sharp disapproval of its alleged transformation from a once useful technical body into an international battleground.[1] In their view, this deplorable trend, accentuated by the entry of many less developed countries, has seriously damaged the organization by (1) deflecting its attention from the traditional central mission of promoting peaceful and orderly social change through the development of effective international labor standards and technical services; (2) introducing sterile and irrelevant political controversies into what ought to be relatively business-like deliberations about international social and labor policies; (3) undermining confidence in, and backing for, the organization in the ranks of the ILO's genuine supporters; and (4) allowing the Communist bloc and certain other countries, including Cuba, to pursue irresponsible attacks on U.S. foreign policies, Israel's relations with its Arab population, and various other targets of the moment for the manifest purpose of discrediting the Western democracies and their institutions and values.

The dismay over the intrusion of political issues irrelevant to the ILO's mission emerges unmistakably from a wide range of documentary sources: authorization and appropriations hearings conducted by congressional committees, reports of American delegations, and the repeated protests of American employer, worker, and government delegates at ILO meetings.[2] Particularly provocative to our delegates have been the frequent instances of misuse of the speaker's platform at ILO Annual Conferences for attacks on the United States on matters unrelated to

[1] Among recent general studies of the ILO the best is Robert W. Cox's chapter, "ILO Limited Monarchy," in the volume edited by him and Harold K. Jacobson under the title *The Anatomy of Influence: Decision Making in International Organization* (New Haven: Yale University Press, 1973), pp. 102–138. A number of strikingly similar observations appeared earlier in the anonymous essay "International Labor in Crisis," *Foreign Affairs* 49 (April 1971), pp. 519–532.

[2] For a recent example, see the report on the ILO's 1974 Annual Conference by the Assistant Director of the AFL-CIO International Affairs Department. Mike Boggs, "The ILO's Rocky Road," *AFL-CIO Free Trade Union News* 29 (September 1974), pp. 1, 11–12.

the concerns of the ILO, as well as the utilization of the Conference resolutions committee for extraneous or thinly disguised political maneuvers.

In this connection former Assistant Secretary of State Samuel DePalma told a House committee in July 1970:

> "I think from now on we had better look at this organization as an arena for politics. The Soviets are making it such.
>
> "It is not our intention; we have tried very hard to keep it focused on its real work. But if they intend to use it as a propaganda organization, we have to look to ourselves. We can only do it by working with other governments, other labor and employer groups. There is no other way to do this."[3]

The trend toward politicization seems to have offended the representatives of American labor and employers even more than their counterparts in government. For aside from a few inveterate ILO antagonists in Congress, it is usually from the private side that suggestions of a severance in relationships have come. In the 1950s and early 1960s it was the employers and in more recent years it has been the worker delegates who have raised the possibility of terminating the participation of their organizations in the ILO. Considering the thin base of support which international agencies generally, and the ILO in particular, command in the United States, such threats cannot be taken lightly, particularly when they come from labor. Without at least AFL-CIO acquiescence, it would be difficult for the American government to retain membership in the ILO; resolute AFL-CIO opposition would make continued membership almost impossible.

The reason is close at hand. The U.S. has made such strenuous efforts to halt the progressive erosion of the ILO's tripartite basis that American membership without a labor (or employer) component would appear incongruous. The only possible basis for continued membership in the event of a labor (or employer) decision to discontinue participation would be the adverse effect of formal disaffiliation on the entire structure of U.S. membership in the United Nations and its specialized agencies. But even that might not be a sufficiently compelling reason to stay in the ILO.

The importance accorded to organized labor's views was demonstrated anew during the crisis in relations between the United States and the ILO that developed in the summer of 1970. It began soon after a closely contested election for the ILO's chief administrative position,

[3] U.S. Congress, House of Representatives, *Hearings before a Subcommittee of the Committee on Appropriations: Additional Testimony on the ILO* (Washington, U.S. Government Printing Office, 1970), p. 74.

held from 1949 to 1970 by David Morse, former U.S. Under Secretary of Labor. In one of his first official acts, the newly installed Director-General, C. Wilfred Jenks, a British national with many years of service in the ILO, appointed a Soviet citizen to a high-level staff position. In so doing he overrode longstanding and well-known U.S. objections. Since all three U.S. members of the ILO Governing Body had vigorously supported Jenks for the top post, they shared the feeling of having been poorly repaid, but it was mainly due to the initiative or at least the consent of the AFL-CIO leadership that Congress placed an extended embargo on the American financial contribution to the ILO's budget.

The episode brought to the surface once again not only the existence of a considerable amount of bitterness and frustration among almost all American representatives involved in relations with the ILO, but it also revealed a remarkable sense of isolation, a sense of having been abandoned even by our Western friends and allies in the organization. At least this is the clear impression conveyed by the comments of most participants in the full-scale hearing on future U.S. participation in the ILO which took place on July 31, 1970, before a House Appropriations subcommittee.[4]

However justified these feelings may be, it seems to me that American dismay over political developments in the ILO has sometimes reached excessive proportions. In the first place, to characterize the ILO before 1954 (the year of Soviet reentry) as a nonpolitical body, concerned almost entirely with such technical problems as improved safety standards in hazardous occupations, is a misreading of the organization's history. Second, American representatives (government, labor, employers) themselves have usually applied political rather than technical criteria to assess their effectiveness in the ILO, as have the relevant congressional committees. Third, the ability of the U.S. government, worker, and employer delegates to muster support within their respective groups in Geneva on many key political items has been quite remarkable; they have not carried every issue, but they have been successful often enough to compile a respectable overall record of effectiveness.

I shall expand briefly on these three points.

I

If the term "political" may be used to refer to the competition between the constituent components of an organization for power and influence, the ILO has always had to reckon with political factors in respect to its policy-making processes, the appointment of its leading officials, the allocation of its resources, and the priorities of its sub-

[4] *Ibid.*, especially at p. 75.

stantive program. Indeed, the very establishment of the ILO represented a political decision by the great powers at Versailles to direct the world order toward peaceful social change as an infinitely more desirable alternative to violent social revolution. At the same time the choice of a tripartite governing structure reflected a sophisticated attempt to integrate the institutions of private capitalist enterprise and reformist trade unionism into the complex politics of international decision-making.

Despite the programmatic emphasis during the ILO's first three decades on the adoption of technical Conventions and Recommendations (the so-called standard-setting activities), most of which were aimed either at standardization of international competition or the promotion of more humanitarian conditions of work, or both, the ILO was never insulated from world political trends. All major developments of the 1920s and 1930s intruded into its deliberations and activities, from the rise of fascism to the formation of popular front governments. It mishandled the dubious credentials of state-controlled labor organizations, the most notorious example being Italy, and when it chose to accept so-called employer delegates from the Soviet Union in 1936 and 1937, it did so chiefly in the light of then existing political circumstances.[5] The Philadelphia Declaration of 1944, which gave the ILO a new lease and an enlarged mandate, was a political document, and the pioneering conventions on Freedom of Association (1948) and the Right to Bargain Collectively (1949) placed the moral authority of the ILO behind issues of manifest political-ideological significance. In sum, political considerations of far-reaching importance could not possibly be isolated from the formulation of universal principles seeking to define the rights and functions of labor and management in the world at large.

Admittedly, the tone of controversy before 1954 was more civil, and the competition for influence and leadership usually more discreet. Tripartism had not yet been subordinated to universality as the ILO's paramount principle, and the relative similarity of many member countries in terms of their industrial development and their internal social, political, and economic arrangements helped to ensure a wider area of agreement on fundamentals and to keep the areas of disagreement within narrower bounds as compared with the more recent period. Yet,

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[5] David A. Morse, for many years the Director-General of the International Labor Office, once wrote: "The ILO has always been confronted with political issues of one kind or another, and many of them have related to the representation of employers and workers in the Organization." *Annals of the American Academy of Political and Social Science* 310 (March 1957), p. 37. For an account of the Soviet employer issue, see John P. Windmuller, "Soviet Employers in the ILO: The Experience of the 1930's," *International Review of Social History* 6, No. 3 (1961), pp. 353–374.

political issues of major importance arose often enough to vitiate the belief that they made their first appearance only in the mid-1950s.

II

In December 1970 the General Accounting Office of the United States, a rather improbable federal agency to claim expertise in ILO affairs, issued a report to Congress under the reproachful title *U.S. Participation in the International Labor Organization Not Effectively Managed.*[6] The report does not quite add up to an authoritative review, but it is not badly done, and its section on "U.S. Policy Objectives for the ILO" emphasizes, properly in my opinion, the primacy of political considerations which underlie U.S. membership. In this respect the report reasserts not only the conclusions and recommendations of the Johnson committee (1956) which conducted a full-fledged examination of the U.S. presence in the ILO some two decades ago,[7] but also the statements of objectives which have emanated in more recent years from the two agencies most closely concerned with the management of American government participation in the ILO: the Departments of State and Labor.

With due allowance for occasional differences between the objectives of the U.S. government and those of American labor and employers, American overall aims in the ILO can be summarized, I believe, in the following four points:

1. To shield the present balance of power between the constituent parts of the organization—especially between the Annual Conference and the Governing Body—against efforts by the Communist bloc and less developed countries to secure for themselves a dominant influence on ILO policies.

2. To retain as much of the principle of tripartism as possible, because in U.S. perspective the tripartite structure of the ILO symbolizes the central position that autonomous organizations of labor and employers ought to occupy in all properly constituted industrial relations systems.

3. To contrast as sharply as possible the labor policies of Western industrialized democracies with those of Communist countries and to insist that the ILO apply a single rather than a double standard in respect to such practices as forced labor and state control of trade unions.

4. To press for an ILO operating program which, on one side, helps to protect the interests of American industry and labor, as for

[6] Report B-16867, December 22, 1970.

[7] For the text of the Johnson Committee Report see *Annals of the American Academy of Political and Social Science* 310 (March 1957), pp. 182–195.

instance through the adoption and application of international labor standards, and on the other side assists the less developed countries through technical services to deal with their social and economic problems "in directions compatible with our own security and ideals."[8]

Without exception these are political aims, and their implementation depends on the effective use of political means, among them advocacy, pressure (including financial pressure), negotiation, and compromise. The preeminence of political aims explains why it has been explicit government policy since the mid-1950s to assign to the State Department the primary responsibility for foreign policy issues arising in the ILO. In practice, of course, it is more likely that even on foreign policy issues there is a shared responsibility between State and Labor. And it is equally likely that this shared responsibility occasionally leads to friction, lack of coordination, and strained inter-agency relations. But that is a separate matter and not at stake here.

III

Any assessment of current American influence in the ILO must begin with an acknowledgement that the setting for the realization of American objectives has been changing in generally unfavorable ways. The adverse changes include (1) a vast new membership composed mainly of less developed countries that are not particularly interested in the traditional standard-setting activities and are eager to redress the balance of power in their favor; (2) the persistent and often successful efforts of the Soviet bloc to create an identity of interests with Third World countries by introducing or seconding the introduction of highly sensitive political issues, no matter how remote from central ILO concerns they may be; (3) the tendency of certain Western European countries to adopt positions on these very issues that are designed more to protect their relations with Communist and less developed countries than to protect the integrity of the ILO's agenda; and most recently (4) the less than subtle efforts of Arab countries to use their newly acquired economic power for political leverage.

In view of these developments it is rather significant that U.S. positions on issues of major importance to the political balance sheet have so far prevailed more often than not. That observation applies to a whole range of proposals to reorganize the structure and government of the ILO to the detriment of an outnumbered bloc of Western industrialized countries. The proposals aim at enlarging the authority of the Annual

[8] The quotation is from testimony by former Assistant Secretary of Labor George Weaver in U.S. Congress, House of Representatives, *Hearings before an Ad Hoc Subcommittee on the International Labor Organization* (Washington: U.S. Government Printing Office, 1963), p. 171.

Conference at the expense of the Governing Body, eliminating the ten seats on the Governing Body reserved for "states of chief industrial importance," abrogating the rule which entitles a majority of these ten states to block the legal effectiveness of constitutional amendments, and circumscribing the autonomy of the employer and worker groups in choosing their representatives on the Governing Body and various ILO committees without regard to regional or ideological distribution.

Indicative of the potential significance of the proposals is the strong possibility that if, for example, in 1974 the Annual Conference rather than the Governing Body had held the power to elect the Director-General of the International Labor Office after Mr. Jenks' untimely death created a vacancy, the result would have gone against Francis Blanchard, the candidate supported by the U.S. government.[9] And if the Conference rather than the Governing Body had effective rather than pro forma authority to determine the composition of the budget and the substantive program, the influence of Western industrialized countries on the distribution of ILO resources and order of priorities would diminish considerably.

Some other recent U.S. successes have been chiefly symbolic, though thereby no less political. Among them is the exclusion of the USSR from a share in prestigious ILO positions, notably the presidency of the Annual Conference and the chairmanship of the Governing Body. These positions are not without some importance, but I have doubts about the value of the blockading effort. It is also noteworthy that government delegates from Eastern European countries have refrained in recent years from using the ILO platform for attacks on U.S. foreign policies. (Cuba, however, has not yet abandoned its perennial attacks on the United States over the political status of Puerto Rico.) Finally, it must be regarded as something of an achievement that the 1974 Annual Conference came closer than ever before to citing the Soviet Union for failure to abide by the Forced Labor Convention. The condemnation failed to pass only because there was no quorum on the final vote, but it must be conceded that the absence of a quorum was precisely what the Soviet Union had aimed for in its effort to avoid censure.

Of course, U.S. views have not always prevailed. Despite strong U.S. resistance, the principle of tripartism has been enormously weakened over the past two decades mainly because it is irrelevant to the social order in Communist and many less developed countries. Also, a strange blend of oil and ideology made possible the adoption at the 1974 Conference of a resolution condemning Israel for racial discrimination and

[9] It should be noted, however, that the losing candidate was supported by the U.S. worker delegate.

violation of trade union freedoms vis-à-vis its Arab inhabitants without a prior investigation having been made. Thus, the use of the ILO platform for polemics and propaganda still continues, through certainly at a diminished cadence by comparison with the pre-détente period.

IV

There is not much chance that the ILO will become less of a political organization in the future. Nor will the composition of the membership become more favorable to the United States. Since the U.S. will no doubt continue to measure its effectiveness chiefly in political terms, and since the current is presently running in an unfavorable direction, the U.S. would do well to brace itself for the probability of some political setbacks. Yet, as long as the general objectives summarized above are being substantially achieved and as long as the substantive work of the ILO coincides with American domestic and overseas interests, such likely setbacks ought not to be regarded as sufficient reason to discontinue our membership.

As regards the substantive work, we have rarely paid close enough attention to the contribution which it can make to the realization of our overall foreign policy objectives. Notwithstanding the protestations about excessive politicization, all three U.S. functional groups in constant contact with the ILO—government, employers, and labor—have invariably concentrated their attention on the political superstructure (the Annual Conference, the Governing Body, the regional meetings) and have tended to neglect or downgrade the technical infrastructure (the International Labor Office and other operating units). To the extent that we do try to monitor the technical work, it is done mainly through the budget review mechanism, but as Cox has pointed out, the ILO's main contributors—including of course the U.S.—have been far more concerned about the total size of the budget and their assessed share of it than about its contents.[10]

Government officials tend to place the blame for their relative lack of attention to ILO programs, plans, and performance reports on insufficient staffing and information. Overcoming the lack of information depends on the ability of our representatives to extract more useful data from the ILO than they say they are presently receiving. That may or may not be possible, but inadequate staffing need not be an insuperable problem. Assuming that funds to hire more employees for this purpose will not become available, I would like to suggest an alternative. In almost every area of current ILO program and research activities (from

[10] Cox, *op. cit.*, p. 115.

manpower development and employment creation to collective bargaining), the United States has a large reservoir of expertise. There is every reason to believe that the government can draw on this expertise at relatively little cost by establishing a small number of subject- or program-oriented panels whose members would be drawn both from government agencies and the private sector. The panels' tasks would be (1) to advise our representatives at the ILO on the merits and shortcomings of the major component parts of the ILO's program, both in terms of evaluating work already done or underway and new activities proposed in the ILO's ever larger budgets, and (2) to help determine the priority order of projects which we are willing to support. (The advice of the panels would also be available to U.S. representatives in the United Nations Development Program from which the ILO derives most of the funds for its technical assistance activities.) The panels would meet no more than once or twice a year, but their members could be "on call" for advice on ad hoc issues.

I am under no illusions about the difficulties that lie ahead in the U.S.–ILO relationship. A 1974 GAO report on U.S. participation in international agencies quotes the ILO desk officer in the State Department as believing "that the future of U.S. participation [in the ILO is] still in doubt."[11] This may well be a realistic estimate, but I wonder whether the excess of pessimism, which one sometimes detects among those who have the wearying and difficult task of representing U.S. interests in the ILO, is really all that helpful in rallying support for our objectives. To stress pessimistic prognoses about the continuity of our membership may at times be a useful tactical device so as to convince others of the seriousness of our purpose, but in the long run the implied threat of disaffiliation is likely to lose its effectiveness.

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[11] Comptroller General of the United States, *Numerous Improvements Still Needed in Managing U.S. Participation in International Organizations,* Report No. B-168767 (Washington: July 18, 1974), p. 13.

V. IS COUNTING EMPLOYMENT AND UNEMPLOYMENT ENOUGH FOR POLICY MAKING?

Unemployment Measures for Government and Business Policy Formulations*

DANIEL H. BRILL
Commercial Credit Company

I have found it difficult to get my arms around this subject. The formal title seems fatuous and the answer obvious. A glance at any recent issue of the *Monthly Labor Review* or at any recent bibliography on the subject of unemployment would indicate that we have moved far beyond the technique of mere counting. Indeed, the danger may be in dissipating scarce resources in further refinements of headcounting to the neglect of studies more systematically directed at illuminating the dynamics of the employment process.

Not that headcounts have not been useful, or will not be needed in even more cross-classified detail than currently provided. There is probably an infinite number of unemployment measures that would be useful for some one or other problem facing government or business policymakers. Most of these statistics are already being produced by the BLS. And these measures of changing structural characteristics of the labor force and unemployment have made major contributions to identification of problem areas. But, as is the case with most structural measures, they have been subjected to widely variant explanations, and these differing explanations, in turn, have led to differing policy prescriptions. Here I shall try to suggest areas where new efforts are needed to clarify some critical issues for public and private policy formulation.

The arena of discussion is so broad that it will be necessary to set some boundaries to establish some priorities. First, I will touch on the increased need for geographic area statistics only to the extent that such information is critical for the formulation of national government

* I am indebted to my colleague, Larry Shotwell, Director of Economic Studies, Commercial Credit Company, for his assistance in preparation of this paper.

or corporate policy decisions. Second, I will not concern myself with measurement techniques or measurement difficulties. Third, I will address myself to only a limited number of categories of policy decisions—two governmental and three in the private sector. At the governmental level, I shall be concerned with the need for unemployment measures for the function I will call "aggregate demand management," for both contra-cyclical and secular needs. At the business level, I will be concerned with the need for unemployment measures on the part of business management concerned with the production process, marketing, and credit policy decisions.

The term "aggregate demand management" is used here to represent the formulation of macro-economic policies designed to affect the pace and direction of the total economy and total employment and unemployment, rather than policy formation specifically addressed to particular industries as sectors of the economy or labor market. This definition encompasses the kinds of questions about unemployment that undoubtedly are addressed in policy formulation sessions of such government agencies as the Federal Reserve, the Council of Economic Advisers, the Treasury, and the Office of Management and Budget. These agencies must be concerned in setting the thrust of aggregate monetary and fiscal policies within the framework of certain targets for key variables such as unemployment. In determining a target for unemployment, its compatibility with targets for other social goals, such as inflation, must also be considered and policies designed to achieve the optimum trade-off among targets.

Perry's paper[1] in 1970 exploited data for the fifties and sixties to demonstrate that these targets and the compatible trade-off points are strongly influenced by the changing structure of the labor market. Those decades witnessed significant increases in the proportion of teenagers and women in the labor force. Since these demographic groups have higher-than-average unemployment rates, the overall unemployment rate has become increasingly misleading as a measure of tightness in the labor market; a given unemployment rate is associated with a more inflationary rate of wage change than in earlier periods. The trade-off between unemployment and inflation has shifted.

The choice for policy-makers is either to accept the worsening trade-off as the best we can do or to develop policies that will shift the Phillips curve back to where the trade-off possibilities are more socially acceptable. Since aggregate policies are poor instruments for dealing with such sectoral problems as dispersion of unemployment experience among demographic groups, the search turns to appropriate micro pol-

[1] George L. Perry, "Changing Labor Markets and Inflation," *Brookings Papers on Economic Activity* (3: 1970).

icies. This requires identification of the causes of persisting above-average rates of unemployment among certain sectors of the labor force.

One postulate is that the worsening trade-off is a labor demand problem, in the sense that employers are unwilling to bear the costs of training newer and less experienced entrants into the labor force and prefer, even at periods of full employment, to bid higher for experienced workers. If so, specific remedial programs would appear to be along the lines of government-financed manpower training programs, or subsidies to business for training, or subsidies by workers in the form of apprentice-wage systems. But another hypothesis, tentatively advanced by Schultze[2] and partially documented by Wachter,[3] suggests that it may be partly a supply problem, in that the reservation price of newer entrants into the labor force may have increased, as these entrants contrast unpleasant jobs, difficult work access conditions, and minimal pay opportunities available for them with the improved level of welfare and assistance programs. This explanation would suggest governmental emphasis on better urban transportation, better day care centers, perhaps modification in the structure and/or level of welfare programs, or the creation of more appealing job opportunities for new entrants.

No doubt the situation includes elements of imperfection on both the demand and supply aspects. How can these be quantified and the cost effectiveness of proposed solutions be assessed? One approach might be surveys of corporate personnel officers to obtain information on the current scope of and expenditure on training programs, and also specifics on the costs of acquisition of experienced workers vs. costs of acquisition plus training of inexperienced workers, particularly from groups with persisting above-average unemployment rates.

Further, systematic and more comprehensive studies are needed on the spatial dislocations and obstacles between available jobs and potential workers. Available data already indicate that welfare payments have risen more rapidly than the minimum wage, and the kinds of jobs available to new entrants have become more difficult to access with the flight to the suburbs of many businesses and middle-income homeowners. What is the combined effect of these factors on the reservation price of labor?

The search for causal forces of the disparity in employment experience among demographic groups has led to extensive mining of the information on flows into and out of the labor force and employment. It has been observed, by Perry, Hall, Holt, and others, that the demographic groups with above-average unemployment rates also have more frequent

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[2] Charles Schultze, "Comments on Changing Labor Markets and Inflation," *Brookings Papers on Economic Activity* (3: 1970), pp. 442–443.

[3] Michael L. Wachter, "The Primary and Secondary Labor Market Mechanism," *Brookings Papers on Economic Activity* (3: 1974), pp. 669–670.

periods of unemployment. "Hard core" unemployment involves not so much permanent inability to find jobs as frequent moves, voluntary and otherwise, into and out of employment.

Alternative explanations can be constructed. It might be that the demographic groups with higher turnover employment find most of their job opportunities in industries or occupations with above-average instability in job duration. Construction might be an example. Alternatively, as Hall suggests,[4] the jobs most often found by members of these groups may provide little advancement opportunities and little incentive to workers for establishing stable employment records. Perry has addressed this question,[5] distinguishing between frequency and duration of unemployment by demographic group, and analyzing changes in employment and labor force participation among new entrants and reentrants into the labor force, as distinguished from the employment experience among those already in the labor force. He concludes that differences between group unemployment rates cannot be explained simply by weak attachment to the work force by some workers, but stems more from poor employment opportunities. Since unemployment rates are highest among youths, minorities, and females, this thesis has some plausibility. Moreover, frequency of unemployment declines progressively with age, both for males and females and blacks and whites. This could be interpreted as a reasonable employment progression, from a period of job experimentation for new entrants into more stable job affiliation over time. But it doesn't explain the persistence of greater frequency of unemployment and higher turnover among blacks than whites in all age groups and by both sexes.

To shed light on these and other questions, it would be most helpful to have surveys which tracked the employment/unemployment experience for a demographically representative sample from the time of initial entry into the labor force until, say, they reached the age level where the statistics suggest the development of more stable employment patterns. This might be done as a nonrotational part of the monthly CPS or as a repetitive annual survey, such as the Survey of Economic Opportunity in 1967.

Since I'm not likely to be saddled with the job of designing or conducting such a survey, I can easily visualize adding many variables and questions to it. But from the viewpoint of an aggregate demand manager, the central question to which the survey should be contributing answers is whether cyclical fluctuations in aggregate demand interrupt

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[4] Robert E. Hall, "Why Is the Unemployment Rate So High at Full Employment," *Brookings Papers on Economic Activity* (3: 1970), pp. 369–402.

[5] George L. Perry, "Unemployment Flows in the U.S. Labor Market," *Brookings Papers on Economic Activity* (2: 1972), pp. 245–278.

or accelerate the age progression from unstable to more stable employment experience, as well as the degree of responsiveness of particular demographic groups to the changing volume and quality of employment opportunities over the cycle.

Cyclical demand management policies must take into account the uneven industrial incidence of macro-policies of restraint and stimulus, and their exaggerated impact on certain demographic groups. If unskilled workers represent an above-average share of the work force in construction, then the macro-economic policies pursued in recent years may have resulted in cyclically volatile employment opportunities for certain demographic groups.

How serious this problem is depends in part on the mobility of labor. The ability of labor to transfer, not only geographically but also by industry, at different degrees of aggregate demand is an important element in estimating the impact of macro-policies. If a booming economy is accomplished by restraint programs particularly effective on the construction industry, what categories of labor are absorbed out of construction and into those industries with expanding labor demands? Is there a particular impact by demographic group? And when construction activity resumes momentum, how difficult is it to reassemble the relevant skills? The CPS will record those construction workers *un*successful in shifting out of construction, but will not measure the degree to which, or where, other construction workers have found employment in other industries or occupations. Nor does it tell us what adjustments in income or work conditions are required to shift industry or occupation. Here again a "tracking" survey would be useful in assessing the speed as well as the extent of workers' adjustment to changing labor market conditions.

Cyclical impacts of macro-policies are only one area of consideration. Aggregate demand management policies must acknowledge and reflect the slackening growth potential in the economy that will become manifest toward the end of this decade as a result of the decline in birth rates that has been underway for some time. Policy-makers must also be concerned with the success, or lack thereof, of specific programs to meet specific labor shortages. Do these programs, instituted to meet these specific skill needs, track well with the shape of the future labor demand curve? Probably not. The surplus of teachers today is an example. Many of the incentives instituted earlier in the postwar period to encourage the supply of teachers are still operative, and the flood of applicants is still pursuing a dwindling supply of jobs.

Given the likelihood that institutional forces affecting labor supply tend, like supertankers, to be slow in generating momentum and difficult to stop or reverse direction, are we doomed to a pattern of shortages

succeeded by a glut for the skills needed in the future? What data and what analytic improvements could shorten the time lags and moderate the fluctuations? Better forecasts of longer-range technological change and skills requirements are needed, but even with better forecasts, we need better mechanisms for translating changing labor market demands into effective programs encouraginig or discouraging entrants into specific skills or industries.

Turning to the need for unemployment data by the private sector, we consider first the informational requirements of a manager of a production process. Given a production function, output elasticities and all the associated conditions and relationships between wage rate and hours per employee, the production manager could, theoretically, determine prospective employment needs corresponding to future output levels as a structural problem in cost minimization, as long as employees are homogeneous and levels of employment can be changed with little cost and delay. However, employment skills are not necessarily homogeneous and there are costs associated with changes in employment levels and in the intensity of utilization of existing labor resources. Thus, there are incentives to minimize the cost of *changing* inputs as well as the cost inputs themselves. Minimizing costs of changing may involve smoothing production runs, reducing period-to-period fluctuations in input requirements, or spreading changes over time.

Most importantly, it involves extensive advance planning to effect the optimal match between labor availability and production requirements at minimum current and prospective cost. Central to this analysis is information on the skill structure of the available labor force. "Available" is a loose term; the geographic market from which the work force will be drawn will vary by skill. The marketplace for an advanced professional is national, for the unskilled laborer probably within a relatively small area around the plant. Availability for the individual production manager depends on his budgets relative to prevailing wage rates and working conditions in his competitive market area.

Seldom will the matching process be easy, and the production manager has several options to weigh. He must assess the cost of upgrading the local skills to meet his range of skill requirements, the cost of importing labor from a wider market area, the possibility of exporting some part of the production process to another area, the difficulties and costs of redesigning the production process to make maximum use of the skills available locally. Costing-out these alternatives involves not only the costs of hiring and/or training, but also the probabilities of success in retraining workers after hiring and training. The likely persistence of employment is an important element in prospective labor costs. Information on turnover, by relevant skills, would be an im-

portant supplement to the data on employment and unemployment levels in staffing the production process. A "tracking" survey of the type suggested earlier would perhaps identify some of the reasons for high turnover for certain groups in the available labor force, and guide personnel managers in framing hiring and training policies.

Cost minimization decisions in staffing are constrained by several factors: corporate policies on location of production facilities, union regulations, and governmental equal opportunity requirements. With respect to the latter, detailed information on minority representation in the relevant labor market, by skill, is needed. For companies trying to meet EEO objectives through training programs, much more information is needed on the costs and effectiveness of alternative training and upgrading approaches.

Problems associated with staffing the production process are only part of business management's concern. Unemployment measures also serve to reflect demand conditions for a firm's products or services. Business management has to balance off discrepancies between the demand for the firm's output and factor inputs by holding inventories of finished goods or varying the amount or rate of use of factor inputs. Marketing decisions are an adjunct of management's overall business policy, and the decision to offer a consumer product or service is made on the basis of fundamental demand and competitive factors relating to a particular product or service. The unemployment rate is one coincidental indicator of aggregate demand conditions of direct significance for consumer-oriented firms.

To the extent a product or service is oriented toward specific demographic groups or geographic areas, unemployment statistics for these groups or areas are useful in indicating trends in potential markets. Thus, while unemployment statistics may not be a fundamental factor in decisions to offer a product or service, it is a factor influencing the time of new product introduction or where a product or service is to be offered. The intensity of sales efforts also reflects the state of the economy and unemployment.

Turning to the role of employment data in establishing business policies on credit, for many nonfinancial firms credit decisions can be considered a subcategory of marketing decisions. This is not the case for a financial institution. Rising unemployment is one of the key factors in rising consumer delinquencies and is of direct concern to consumer lenders, and of indirect concern to firms lending to retailers and other firms whose cash flow might be impacted by rising delinquencies.

While retail credit terms may be relatively inflexible, credit terms of financial institutions are changed more frequently. The rate, maturity, and down payment are the most frequent terms subject to change,

but rising unemployment may also induce a change in acceptable "credit scoring" levels. Credit scoring is a system for weighing of factors in a credit application relating to credit reliability, and increasing the minimum credit score means that previously acceptable credit risks are now unacceptable. Unemployment statistics are important for deciding on such changes in credit terms, and it is my impression that the data available are adequate for this usage.

In conclusion: We now have available a wealth of data on the numbers of the employed and unemployed, by salient demographic and experience categories. One gets the impression from reviewing the statistics that the BLS could produce almost any classification or cross-classification imaginable, and I have no doubt that the BLS has more data available than are ever published. Nevertheless, the fact is that employment/unemployment measures, while essential, are not sufficient for government and business policy formulation. Much more information is needed on the dynamics of labor force and employment adjustments, particularly the flows into and out of the labor force, into and out of employment. We have to identify more clearly the causes for high turnover in high unemployment groups before we are likely to have much success with remedial programs. We're still arguing as to whether we have dual labor markets or segmented labor markets or compartmentalized markets, and different views of the nature of the market lead to varying policy recommendations. Employment studies that could track the absorption of entrants into the labor force through the period when they establish more stable employment patterns would contribute to resolution of these issues, as would additional employment/unemployment and turnover measures for additional industries and skill levels. This all takes us far beyond headcounting.

Subemployment: Concepts, Measurements, and Trends[1]

THOMAS VIETORISZ
New School for Social Research

ROBERT MIER
Research Center for Economic Planning

BENNETT HARRISON
Massachusetts Institute of Technology

JEAN-ELLEN GIBLIN
Fashion Institute of Technology

Subemployment

The concept of subemployment unites two major dimensions of labor market functioning that reproduce poverty and social distress: first, the lack of opportunity for work; and second, substandard wages. Despite an overall agreement about the categories comprising a subemployment index, several mutually inconsistent definitions of subemployment have emerged.

The two most controversial issues confronting the proponents of the various indicators were: whether or not *any* member of a family whose income is adequate should be considered as subemployed, regardless of the quality of the person's job; and the cutoff wage level for inadequate jobs. We have compared indicators elsewhere.[2]

The development of a standardized subemployment index has become the subject of continuing research as a result of a formal mandate written into the *1973 Comprehensive Employment and Training Act* (CETA),[3] but the creation of a single indicator may be misleading. The reason is that different types of subemployment can be identified:

(a) Subemployment as a *lack of individual opportunities* for finding useful paid employment at a decent living wage. The early subemploy-

[1] Support of this research was provided by Grant MH-23615 from the Center for the Study of Metropolitan Problems, National Institute of Mental Health, to the Research Center for Economic Planning, New York. Opinions expressed are not necessarily those of the funding organization.

[2] Thomas Vietorisz, Robert Mier, and Jean-Ellen Giblin, "The Concept and Measurement of Subemployment," *Selected Papers from the 1974 North American Conference on Labor Statistics* (Washington: U.S. Department of Labor, 1974).

[3] "Comprehensive Employment and Training Act of 1973," Public Law, 93-203, 93rd Congress (Washington: U.S. Government Printing Office, 1973), p. 23.

ment calculations of Willard Wirtz[4] and the estimates based on the 1970 Census Employment Survey (CES) by Spring, Harrison, and Vietorisz were approximations to this type of subemployment index.[5] Vietorisz, Mier, and Giblin have developed a new index, called the *Exclusion Index,* which makes the measurement of subemployment under this definition more precise and consistent.[6]

(b) Subemployment as a measure of *family labor market difficulties,* with the stress on family structure and the inability of family heads to support their families adequately. The subemployment indices by Levitan and Taggart and by Miller were aiming to capture this aspect of labor market functioning.[7] Vietorisz, Mier, and Giblin developed a new index called the *Inadequacy Index* which yields a more consistent test of the economic adequacy of earned family incomes.[8]

(c) Subemployment as the manpower waste inherent in labor market functioning. This concept suggests a *Manpower Underutilization Index* for quantifying the gap between the amount and skill level of labor supplied and that actually utilized. Berg is developing, as part of his continuing research, an *Underutilization Index* capturing one dimension of manpower underutilization—underutilization of skills acquired through formal education.[9] Other important dimensions of underutilization such as I.Q., on-the-job training, etc., remain unexplored.

Exclusion and Inadequacy Indices

We have so far estimated only the *Exclusion and Inadequacy* Indices. These indicators *are alike* in that both aim to capture the lack of work opportunities together with the extent of substandard wage employment.

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[4] Willard Wirtz was President Johnson's Secretary of Labor. Spring describes the political atmosphere which forced Wirtz to commence, then subsequently abandon, attempts to collect poverty area statistics. William Spring, "Underemployment: The Measure We Refuse to Take," *New Generation* (Winter 1971), p. 23.

[5] William Spring, Bennett Harrison, and Thomas Vietorisz, "The Crisis of the Underemployed," *The New York Times Magazine,* (November 5, 1972), pp. 42–60.

[6] *Op. cit.*

[7] Sar Levitan & Robert Taggart, *Employment and Earnings Inadequacy,* (Baltimore: Johns Hopkins Press, 1974); Herman P. Miller, "Measuring Subemployment in Poverty Areas of Large United States Cities," *Monthly Labor Review.* (October 1973), pp. 10–18.

[8] *Op. cit.* The Inadequacy Index may be challenged because it focuses on family heads and because it considers as potentially subemployed even those family heads who have families with adequate incomes. These criticisms are actually two sides of the same coin and go hand in hand with employment policies whose success in confronting poverty depends on multiple family wage earners who are pooling income from several low wage jobs. Our Inadequacy Index reflects the value judgement that such a policy is unacceptable. Thomas Vietorisz, Robert Mier, and Bennett Harrison, "Full Employment at Living Wages," *Annals of the American Academy of Political and Social Science* (March, 1975).

[9] Ivar Berg, *Education and Jobs: The Great Training Robbery,* (New York: Praeger, 1970).

They *differ* in their coverage. The *Exclusion Index* covers every individual currently in the labor force, including those who are omitted from the "official labor force" count because they are not currently looking for a job. Our *Inadequacy Index* covers only family heads or unrelated individuals and bases the criterion of wage adequacy on family size. Workers covered by each index are classified as subemployed if they are, at the time of evaluation, currently unemployed; employed part-time though desiring full-time work; desiring to work, but for economic or social reasons not currently looking for a job; employed in a substandard job, as reflected in low hourly wages.[10]

The Bureau of Labor Statistics (BLS) "lower" budget approximately corresponds to the popular perception of what a job should pay to enable a person or family to "get along" at a minimal level.[11] We therefore use that budget as the criterion for wage adequacy. Because the Inadequacy Index focuses on *family* income, the wage adequacy standard is adjusted for family size in computing this index, but *not* in computing the Exclusion Index.

Almost 30 years of Gallup opinion surveys have revealed a public awareness of a minimally adequate income for a family of four which in 1970 corresponded closely to the Bureau of Labor Statistics "lower" budget for an urban family of four of $6960 per year. The issue of what constitutes a threshold for a substandard job is discussed in previously cited papers by us. The need to choose can be bypassed by making the threshold a parameter and estimating subemployment as a function of this parameter (and we do just that in those papers), but a parameter *must* eventually be chosen by policy-makers. The issue is further complicated by the fact that income alone is not an adequate indicator of what is a substandard job; other job conditions as well as the cultural and political setting of the job also have an important influence on the matter.

We have computed Exclusion and Inadequacy Indices for a number of urban poverty areas using information from the 1970 Census Employment Survey (CES). This was a detailed sample survey of employment characteristics of about 6,000 persons in each of 60 urban and eight rural areas (the 60 urban neighborhoods were located within 51 cities).

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[10] A set of subemployment categories such as these are converted to a subemployment *rate* or an index by examining some population of individuals and categorizing each as either subemployed, not subemployed, or not in the labor supply. The subemployment rate is the number subemployed divided by the sum of those subemployed plus those not subemployed. The rate may be expressed as a fraction or as a percentage.

[11] Lee Rainwater, "Economic Inequality and the Credit Income Tax," *Working Papers for a New Society* 1 (Spring 1973), pp. 50-61.

The sampling areas had been selected because of evidence that they were likely to contain high proportions of persons with low incomes. The urban survey clusters represented on the average 15 percent of the respective SMSA population and 33.5 percent of the respective central city population. Much of the information has been aggregated for each survey area and summary results published by the Bureau of the Census. For the purposes of our ongoing research, the individual (i.e., microdata) responses in the 24 survey areas which were available with disclosure limitations were analyzed. Table 1 is a comparison of the Exclusion and Inadequacy Indices for an illustrative CES area in Detroit, Michigan.

TABLE 1
Subemployment Index Components For Detroit CES Area, 1970

Subemployment Category	Exclusion Index		Inadequacy Index	
	Number of Subemployed Individuals	Percent Subemployed	Number of Subemployed Family Heads or Unrelated Individuals	Percent Subemployed
Unemployed workers	27,730	11.6	11,900	8.3
Discouraged workers	39,686	16.7	17,783	12.4
Involuntary part-time workers	9,231	3.9	5,365	3.7
Full-time employment at less than $3.50/hr.[a]	103,017	43.3	40,300	28.2
Total	179,664	75.5	75,387	52.7
Labor force[b] (used as a base in computing percentages	238,086	.....	143,049	.....

[a] Approximate hourly equivalent of the BLS "lower level" budget for Detroit in 1970; adjusted for family size in computation of the inadequacy index; used without further adjustment in computation of the Exclusion Index.
[b] Differs from the "official labor force" in that it includes "discouraged workers."

Subemployment Trends

It is possible to compute an Exclusion Index for the nation, using published data of the BLS Current Population Survey (CPS). Data in the published series are not sufficiently complete for computing an Inadequacy Index. Figure 1 is a comparison of the Exclusion Index with the unemployment rate for 1970 and 1972. The Exclusion Index for the country is computed as were columns 2 and 3 of Table 1. The low wage cutoff used in computing the Exclusion Indices is based on the

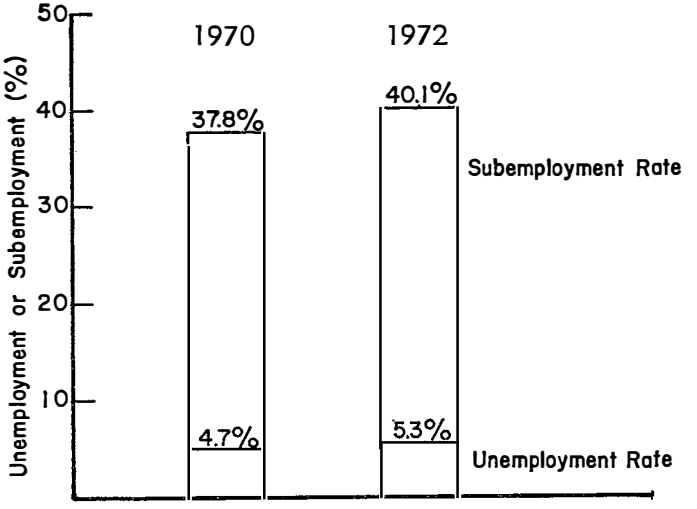

Figure 1. Comparison of Subemployment (Based on Exclusion Index) and Unemployment Rates for U.S. in 1970 and 1972.

Sources: Employment and Earnings, January 1971 and 1973, P60, No. 80: *Money Income in 1970 of Families and Persons in the United States;* P60, No. 90: *Money Income in 1972 of Families and Persons in the United States.*

approximate hourly equivalent of the BLS "lower" family budget prevailing at the time: $3.35 per hour for 1970 and $3.85 per hour for 1972.

To illustrate the uses of the two indices, consider the design of a full employment policy for Detroit. The Inadequacy Index suggests that the creation in 1970 of 75,000 jobs paying a minimum which averaged $3.50 over all family sizes in the Detroit poverty area was critical for raising entire families into the "mainstream" of society. The Exclusion Index, however, reveals that there was a labor supply of 180,000 which would compete for those jobs. *Unless we are prepared to introduce a far greater degree of control over the movement of workers than seems compatible with prevailing institutions, it seems practically impossible to reserve all new jobs for the family heads in critical need. A full employment policy must, therefore, be addressed to all individuals excluded from full participation in the Detroit economy.*

Hourly wages are not available in the CPS and were approximated from annual wages in computing the Exclusion Index. This gives a conservative estimate of subemployment for two reasons: our hourly wage estimate is based on a deflation of annual wages by 2000 hours, whereas the full-time, full-year labor force worked an average of more than 2250 hours in 1972;[12] and it considers only full-time, full-year

[12] U.S. Department of Commerce, P 60, #90: *Money Income in 1972 for Families and Persons in the United States,* (December 1973).

workers, hence not considering the large portion of the labor force employed for less than the full year. Thus, estimated hourly wages are surely biased upward, imparting a downward bias to the subemployment estimates. The estimates might contain an upward bias if there were considerable upward mobility during the year. Yet, a detailed analysis of two CES survey areas (Detroit and Cleveland) has revealed that almost 90 percent of the labor force remained in the same industry and occupation (measured by the Census 3-digit classification) during the 1970 (recession) survey year, despite a fairly high rate of job changing.

Why Is a Subemployment Indicator Needed?

The most commonly used indicator of economic hardship and related social distress is the official unemployment rate. Traditionally, the unemployment rate has several major functions: (1) the measurement of fluctuations in the economy, for purposes of appraising and forecasting business conditions and for purposes of aggregate monetary and fiscal policy decisions; (2) the measurement of the success with which labor markets have been able to match labor supply to labor demand; and conversely, (3) the measurement of social and economic distress for such purposes as triggering compensatory programs (e.g., public employment programs or extended unemployment benefits).

A number of economists have recently argued that the unemployment rate is not an adequate measure of the economic hardship related to labor market conditions.[13] The concept of subemployment was therefore formulated primarily in response to the shortcomings of the unemployment index as a measure of economic and social distress.[14]

As part of our ongoing research, we have found that the Exclusion and Inadequacy Indices are better correlated with a variety of social distress indicators than the official unemployment or poverty indices.[15] The social indicators we considered measured health conditions, crime,

[13] Peter Doeringer and Michael Piore, *Internal Labor Markets and Manpower Analysis* (Lexington: D. C. Heath, 1971); David Gordon, *Theories of Poverty and Underemployment* (Lexington: D. C. Heath, 1972); Bennett Harrison, *Education, Training, and The Urban Ghetto,* (Baltimore: Johns Hopkins Press, 1972); Thomas Vietorisz and Bennett Harrison, *The Economic Development of Harlem,* (New York: Praeger, 1970).

[14] There is increasing reason to believe that subemployment also has a crucial role in determining the overall relationship between wage and price levels. Subemployment works with unemployment in reducing aggregate demand, and therefore lessens the pressure on productive resources and reduces the bargaining power of labor. In the present inflationary climate, this is hardly an aspect to be overlooked in national policy analysis.

[15] Robrt Mier, Thomas Vietorisz, and Jean-Ellen Giblin, "Indicators of Labor Market Functioning and Urban Social Distress," *Urban Affairs Annual Review* (Los Angeles: Sage Publishing Company, 1975).

housing conditions, welfare dependency, and stability and normality of family structure.

The link between social distress phenomena and labor market conditions is obviously the link between the labor market and poverty. Lampman has observed that:

> "poverty is a condition that is difficult to define or characterize. It is relative rather than absolute; it is essentially qualitative rather than quantitative; it is to a certain extent subjective rather than objective; it refers to the general condition of man rather than a specific facet of his existence."[16]

Social distress phenomena are an aspect of "poverty" taken in this broad qualitative sense. To the extent that a measure of income is a good proxy for the latter, a statistical association between certain social distress indicators and an income-based poverty index is to be expected. Social distress and the income shortfall of poverty are part of the same whole. It is a misdirected effort to seek a causal link between them. It is, of course, well known that wages make up the greater part of income.[17]

Lampman has identified a historical reliance in the United States on four general types of policy directed toward the relief of the income shortfall of poverty:

> "The first of these is to establish and facilitate the working of a market system aimed at economic growth and maintenance of high employment. The second is to adapt the system to the needs of the poor. The third is to change the poor and adapt them to the system. The fourth is to relieve the distress of the poor."[18]

The first three, each of which seeks to bind the individual to the labor market, have generally received the brunt of policy emphasis. The last one (welfare and transfer of income-in-kind) has been viewed almost as a residual receiving emphasis, as Piven and Cloward show, only during periods of social unrest.[19]

There is, therefore, a vital need for a labor market indicator which better measures labor market related social and economic distress. The

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[16] Robert Lampman, *Ends and Means of Reducing Poverty* (Chicago: Markham Publishing Co., 1971), p. 53.

[17] Dorothy Projector, Gertrude Weiss, and Erling Thorensen, "Composition of Income as Shown by the Survey of Financial Characteristics of Consumers," in *Six Papers on the Size Distribution of Wealth and Income*. ed. Lee Soltow (New York: Columbia University Press, 1969).

[18] *Op. cit.*, pp. 8–12.

[19] Francis Fox Piven and Richard Cloward, *Regulating the Poor* (New York: Pantheon Books, 1970).

concept of unemployment and the official unemployment index are too narrow and specialized to serve that function; only a set of subemployment indicators, such as we have identified earlier, will meet this need.

What Should the Government Do?

The Bureaus of Census and Labor Statistics should collect the requisite data for, and estimate, Exclusion and Inadequacy Indices frequently and for specific geographic areas.

It may be argued that sufficient information is already available in disaggregated form to perform this type of policy analysis. But policymaker-legislators, legislative staff members, and officials of most executive departments cannot possibly consider and base judgments on a labor market indicator as abstract as a disaggregated, component-by-component subemployment index. They need a shorthand expression summarizing the impact of the many economic forces acting through and upon the labor market.

The Exclusion and Inadequacy Indices we have developed are based on *current* labor market information—information reflecting a person's status at a point in time. We have avoided mixing time dimensions within a single index. An index based completely on current data would follow fluctuations in current subemployment in a sensitive but controlled manner. Either mixing annual information with current information or basing the index entirely on annual information *averages* over time some or all of the subemployment effects. The 1.1 percent increase in unemployment in November-December 1974 has had a profound impact on policymakers and the public, yet has left in its wake a great deal of confusion about the gravity and location of the associated distress. The availability of subemployment information could go a long way toward clearing the confusion. But could policymakers await the publication of annual Exclusion and Inadequacy Indices?

We recognize that certain types of policy and analysis can await annual subemployment information, and that the limited availability of statistical resources may constrain the regular collection of subemployment data for all desirable geographical units of analysis. For such geographical units, the subemployment indicators may be estimated less frequently—for example, annually instead of monthly. Regardless of the frequency of estimation, the same Exclusion and Inadequacy Indices should be estimated. It is unnecessarily confusing to have distinctly different monthly and annual indicators.

A second argument may be made that the sample size requirements for estimating Exclusion and Inadequacy Indices are prohibitive, and

that a simpler index based on wages alone may capture the concept of subemployment. We have come to the conclusion that the four components of subemployment *could* be adequately subsumed by a single wage component, treating the wages of unemployed or discouraged workers as zero. A simple wage adequacy index, however, requires almost the same new information (and presumably the same increased sample size) as a subemployment indicator: an expanded labor force definition (to capture discouraged workers) and much improved wage information, now available in the CPS only nationally and only for the March survey week.

Finally, we wish to address the issue of the geographical unit from which subemployment information should be gathered and the frequency with which it should be collected. This question is intimately tied to policies which are triggered in response to social and economic distress, such as the Public Employment Program. We believe many programs, such as those falling within the purview of CETA, should be linked to subemployment instead of unemployment. This would dictate that subemployment information should be gathered regularly (monthly) at certain jurisdictional levels. We advocate monthly subemployment data collection at the level of state, SMSA, and central city. We recommend that information should be collected annually for selected high-poverty areas, such as those surveyed in the CES.

Technical Problems

In estimating Exclusion and Inadequacy Indices, we have encountered a number of technical problems in using the CPS and the CES which warrent discussion. The first of these concerned reported wages and salaries. In the CPS, as in most BLS surveys, wages are collected in two forms, "Earnings Last Week" and "Annual Wages and Salaries." We need normal weekly or hourly earnings in order to compute Exclusion or Inadequate Indices. Unfortunately, approximately 25 percent of the labor force interviewed in a given survey are not working a "normal" week during the week of the survey. In the Detroit CES area, for example, 21 percent of the workers who normally work a full (greater than 34 hour) work week were employed for less than 35 hours during the survey week. The primary reasons given for the shortened week were that the survey fell on a week which included a holiday, or that the worker had been sick during the survey week.

It is regrettable that labor market surveys do not try to identify a "normal" weekly or hourly wage in addition to the wage information that is collected, and we suggest that future surveys should attempt to establish methods for collecting this information. In estimating our

indices, we identified three ways to test subemployment status of those workers who did not work a "normal" week during the survey week: ignore them (and probably incure a Type I error); assume that those working a "normal" week are representative of those *not* working a "normal" week (and possibly test this assumption based on a variety of demographic, human capital, and occupational attributes); or, finally, use annual wages and work experience to estimate weekly or hourly wages. We chose a combination of the latter two, drawing on such annual work experience information as weeks worked and job mobility and such average work force experience information as hours worked in a "normal" week to estimate hourly wages.

A second problem, related to the first, concerns the standard against which wages are to be gauged. We advocate using the hourly equivalent of the BLS "lower" family budget for a "normal" family of four. The threshold represents an income level beneath which social participation is overshadowed by the stark necessity of physical survival. This threshold has been shown by Kilpatrick to be a weighted average of an absolute poverty level, changes in which are captured by changes in the cost of living, and a sense of relative poverty, captured by shifts in the distribution of income and changes in the median family income.[20] Once a threshold level is determined, it must be recognized that aggregate annual cost of living adjustments—the only kind of adjustments the government makes to the official "poverty line"—would grossly *understate* annual changes in the threshold budget. The BLS budgets should be repriced annually, component-by-component, for a much larger number of areas. Moreover, the size and composition of the market basket underlying each budget should be revised periodically—say once every five years.

The third technical problem concerns the identification of discouraged workers. The CPS and CES surveys do not consider whether elderly people desire to work. We believe that this should be considered. Moreover, procedures for determining if a person "wants a job" involve judgment. We adopt the principle that a person means what she or he says, and we do not try to reduce the set of people "wanting a job" by considering momentary social or economic circumstance. For example, if a woman says she "wants a job" but isn't currently searching for one because of family responsibilities, we assume that the availability of public child care services or of jobs paying enough to make private child care feasible would cause her to initiate a job search; therefore we include her in our base for the

[20] Robert Kilpatrick, "Income Elasticity of the Poverty Line," *Review of Economics and Statistics* 55 (August 1973), pp. 327–332.

index. The CES sought to identify the desire for work of a person not in the official labor force and not elderly through a complex series of over 25 questions. A typical sequence of questions with hypothetical answers which would cause us to classify a person as a discouraged worker would go as follows:

Q: Do you want a job now?
A: No.
Q: Why don't you want one now?
A: I lack transportation to work.
Q: If that wasn't a problem, would you want a job?
A: Yes.

A series of questions such as this invites both interview error and response error, and Flaim has shown that indeed there is evidence of these effects operating.[21] In the absence of a more objective method of identifying a person's desire to work, there is an argument for ignoring the long-term jobless altogether, as do our unemployment statistics subsequent to the recommendations of the Gordon Committee in the early 1960s. We find, nevertheless, that the discouraged long-term jobless represent too large a population to ignore. We have estimated that in 1972, they were nearly equal in number to the population of the officially unemployed.[22]

One technical anachronism warrants mentioning. Surveys conducted by the U.S. Census or patterned after Census procedures arbitrarily define *any* adult male in a household as the "head." We are currently conducting research to measure the sensitivity of our subemployment computations to this remnant of sex discrimination, since our concepts isolate the principal wage earner; yet published data refer to the traditional notion of family "head."

Conclusions and Recommendations

We have made a number of specific recommendations about the collection of subemployment and labor market information, and they warrant restatement:

[21] Paul Flaim, "Discouraged Workers and Changes in Unemployment," *Monthly Labor Review* (March 1973).

[22] Magdoff and Sweezy have proposed an alternative method based on historic peaks in labor force participation rates. This method has promise; however it is limited by the lack of the any realistic model of female labor force participation. The labor force participation of women has continually grown since the early 1960s; and until better models are developed to predict movements in this rate, reliance on historic labor force participation rates would be nearly as arbitrary a method of estimating the number of long-term jobless as are the current BLS methods. A major problem with the method would be the loss of identifications of individuals as subemployed. Harry Magdoff and Paul Sweezy, "Economic Stagnation and the Stagnation of Economics," *Monthly Review* (April 1971).

General

The mandate of the Comprehensive Employment and Training Act for development and estimation of subemployment indicators should be initially fulfilled by estimating Exclusions and Inadequacy Indices.

Exclusion and Inadequacy Indices (point in time) should be estimated regardless of the geographical unit or the frequency of estimation. We argue against the development of different current and annual indicators as being unnecessarily confusing.

The indicators should be estimated monthly for large central cities, SMSAs, states, and the nation; and annually for smaller SMSAs and selected areas of high subemployment concentration.

CPS

"Normal" hourly or weekly wages and salaries should be estimated for the entire work force. Our broader discouraged worker definition should be used until more objective procedures for identifying discouraged workers are developed.

The elderly population should be considered as potentially discouraged workers. The procedures for identifying household head should be modified to designate the principal wage earner regardless of sex. Regularly collected information should be published for household heads.

BLS Family Budgets

The BLS "lower" family budget should be repriced annually, for a larger number of cities.

The basket of goods itself should be periodically reconsidered (say, every five years). We suspect that the basket will expand with the standard of living as well as with the cost of living.

Research should be directed toward new ways of defining an appropriate poverty threshold.

Bureau of Labor Statistics Actions to Improve Current Labor Force Statistics

JAMES R. WETZEL
Bureau of Labor Statistics

A bit of the "conventional wisdom" that is long overdue for retirement runs something like this—most government statisticians are greybeards who have not changed their methods, ideas, or reports since year one. The implicit assumption is that government statisticians spend much of their time obstructing the development of new and better programs recommended by academicians and policy-makers. As the antithesis of the conventional wisdom, I would like to point with pride to the accomplishments of my colleagues in the Office of Current Employment Analysis in the Bureau of Labor Statistics and, in doing so, suggest that their record of achievement is illustrative of the Bureau generally and of most government statistical agencies. In fact, I believe a review of the evidence shows that government statisticians are among the strongest advocates and most consistent supporters of progressive upgrading of data systems that feed into the policy-making and public information activities of the federal government. These same statisticians are frequently the severest and most knowledgeable critics of the statistical programs under their supervision.

The record is simple and straightforward. During 1974, the staff of the Office of Current Employment Analysis:

A. Supervised the introduction of major modifications in the statistical procedures used by State Employment Security Agencies to estimate state and local area labor force, employment, and uemployment. The modifications were designed by BLS staff to provide more conceptual and methodological consistency with the monthly estimates for the nation as a whole. The programmatic objective was to insure more place-to-place comparability of the unemployment estimates used in revenue-sharing programs. Upon completion of this complete overhaul of an aged system, analysts with a regional, state, or local area orientation will be able to relate local and national estimates with some measure of confidence.

B. Overhauled and enlarged the monthly employment situation press release tables—the earliest source of national unemployment estimates—to provide a more systematic presentation of employment and unemployment figures for selected demographic and economic groups. In-

creasing the amount of new information presented by about one-fourth is a substantial feat when the timetable permits only three days from initial receipt of data to public release. Late in the year the staff also initiated monthly publication of labor force participation rates for broad age-sex groups—a particularly useful indicator of changes in the composition of the labor supply during cyclical swings in business activity. In addition to the presentation of more current data, a change in format permitted publication of several more months of historical data for the industry job count series.

C. Introduced regular quarterly and annual publication of data for Americans of Spanish Origin and began quarterly publication of labor force and unemployment data for Negroes separately (as distinct from Negroes and other races).

D. Renewed publication of data on poverty areas, using a much more comprehensive data base with simplified area and income classification definitions.

E. Introduced a new comprehensive quarterly press release that presents in one place data on special demographic and economic groups for which monthly data are not available or which can not be satisfactorily reported in the monthly release.

F. Reported on the levels and trends in reported weekly earnings by demographic group and family status.

G. Developed an entirely new analysis of workers "real" spendable annual earnings by family size and composition that presents an entirely different view of trends in family economic status in the 1960s and early 1970s.

The work plan for next year is equally simple. During 1975 the staff of the Office of Current Employment Analysis:

A. Expects to supervise a 25 percent expansion of the Current Population Survey sample and to redesign tabulation procedures to provide annual labor force and unemployment data for individual states. Such geographic detail is required for purposes of allocating funds among such areas under various revenue-sharing programs—most notably for the Department of Labor, of course, is the Comprehensive Employment and Training Act. Of equal, or perhaps even greater, importance are numerous external benefits at state and national levels—more information for policy analysis, program planning, and evaluation at all levels, more reliable monthly national estimates for a number of special ethnic and industrial categories, and more reliable supplemental information on such items as family income, educational attainment, work experience, and so on.

B. Expects to undertake two steps that will increase the usefulness of the employment and unemployment data for "welfare" analysis. During the first quarter, quarterly unemployment series for household heads by the presence or absence of relatives in the household will be introduced. As soon as possible, this series will be converted to a "family" basis—adding the dimensions of family size, presence of children, and presence or absence of workers other than the "head"—permitting regular analyses of the "family" as an economic unit.

C. Will carry forward research and systems development efforts designed to provide for regular collection and publication of earnings data from the Current Population Survey. Since the mid-1960s a limited amount of information on usual weekly earnings has been collected as a part of the May supplement to the regular labor force data. In 1973, the amount and detail of earnings information collected were increased and additional information was collected on work schedules. The results of these supplemental surveys will be published during 1975 and efforts will be made to introduce more frequent supplements on earnings. Such information is essential for efforts to document the economic and social consequences of less than optimum labor market conditions.

D. Will continue research on and probably publish portions of a new family of derivative measures of labor time forgone (manhours lost to unemployment, short workweeks, and other factors), estimates of earnings and production forgone, and related measures. This work depends importantly on the more regular collection of earnings data.

E. Will continue efforts to streamline operations. Production of Special Labor Force Reports will be speeded up by developing and issuing shorter advance summary tabulations. Any resources freed by this effort will be used to build a flexible data base system that draws on micro records of respondents and advanced computer systems. Any analytical resources that come available as a result of these economies will be used to develop more comprehensive analysis of labor force data, probably in the form of monographs covering broad subject matter areas.

F. Will develop a special supplement designed to provide more information about the economic situation of the unemployed and the ways they look for work.

These two abbreviated lists touch many of the high points of an integrated staff effort to constantly upgrade the statistical and reporting mechanisms available to the Office of Current Employment Analysis. Such lists do not begin to tell the story of regular operations.

Obviously, the first responsibility of the BLS is to maintain the quality and timeliness of existing data systems. This has become more

difficult because of the public's increasing reluctance to participate in surveys and because of resource limitations for program quality control, let alone expansion or modification. The Current Population Survey, which is the basis of most inter-censual demographic statistics bearing on economic questions, suffers relatively little from respondent resistance (although nonresponse rates have increased somewhat over the past five year) but significantly from the budget squeeze. Indeed, the budgeted staff of the Division of Current Employment and Unemployment Analysis is down by one-sixth from 1969 and CPS sample was reduced somewhat over the same period.

Thus when a government statistician appears to turn a deaf ear to your favorite proposal for converting national statistical programs, it may be because of the overwhelming responsibility of providing regular data that are objective, conceptually and methodologically consistent, timely, comprehensive, accurate, topical, and understandable to a lay audience, all within the framework of "real" budget stringencies. This is such a tall order that critical statistical programs have occasionally failed to live up to one or more of those basic requirements in recent years. [Examples drawn from GNP (inventory figures), price indexes (petroleum index), and unemployment (local area estimates) were omitted for brevity.]

Given the recent record of the Office of Current Employment Analysis and the constraints under which its staff must operate, you might expect a certain complacency about accelerating rates of change or reexamination of basic systems. In fact, that is not the case. The staff continues to recommend that: (1) the conceptual, methodological, and reporting aspects of existing systems be thoroughly reexamined by a panel of outside experts (one of the few recommendations of the Gordon Committee that has not yet been effectuated); (2) the publication and analysis of data currently collected be widened in scope and detail (demographic data by occupation and industry detail is in early stages of development); and (3) the development and use of a concepts and methods test panel designed to look into new areas of interest while developing more efficient procedures and questionnaires.

This list also could go on indefinitely because our demands invariably exceed our resources. Perhaps this is the main lesson of this short discussion—all analysts in the labor force field are competing for the same limited supply of statistical resources. To articulate needs for new kinds of data or modifications of existing data systems is not, in and of itself, sufficient effort. Survey design, data collection, tabulation, and reporting are expensive and the base is limited. If we in the government are to have any chance of meeting the statistical requirements arising from

an ever-changing economy, those of you in the audience who support change must help us to identify constructive modifications of current systems and assist in enlarging the statistical resource base to provide for new systems.

DISCUSSION

DOROTHY S. PROJECTOR
Social Security Administration

I approached the question of this session "Is Counting Employment and Unemployment Enough for Policy Making?" against the background of trying to answer policy-makers' questions about changes in tax-transfer programs and the effects of change on the distribution of income. For example, our customers at the Social Security Administration (SSA) and in other parts of government want to know the aggregate cost of reforming the payroll tax; they want to know who will benefit and who will pay the bill. Moreover, our customers want this information for some year or years in the future—say three to five years out—and, they say, be sure to take into account labor supply response, and it would also be nice to have alternative assumptions about unemployment rates. Therefore, when I read the question of this session, I did so with the accent on employment and unemployment.

Apparently Dan Brill read it with the accent on counting and finds it a fatuous question and the answer an obvious "no." But if the question is read with the accent on employment and unemployment, then the question cannot be dismissed so easily as fatuous. To put the matter another way, the recent effort to introduce some major change in the income-maintenance system in this country—the Family Assistance Plan—occurred at a time when the unemployment rate was below 4 percent. Even if we should return to such low levels of unemployment, it seems clear that the concern with the equity and efficiency aspects of income distribution will continue to be of concern to policy-makers and the data base for answering their questions is woefully inadequate. I should like to use the payroll tax reform assignment to illustrate a few of these problems and then to conclude with a few suggestions for improvement.

In designing a relief plan, the negative income tax format may be used as a point of departure. A unit of account is defined and, for that unit of account, the amount of payroll tax subject to relief is defined. This amount is comparable to the guarantee level under the negative tax type plans and is usually related to some standard such as the low income allowance plus exemptions under the federal personal income tax law. In other words, the amount of tax subject to relief might be defined as the unit's payroll tax liability on taxable earnings less than or equal to a limit amount, where that limit amount is equal to a specified standard.

As in the negative income tax plans, relief is phased out as the unit's income increases and so an offset tax must be specified. The offset tax is the product of an offset tax rate and an offset tax base, where the offset tax base is the excess of income over a standard income—say, the low income allowance plus exemptions. The definition of income may be limited to earnings or may be more broadly defined. The offset tax rate is a parameter of the plan. Thus, in order to estimate the cost of a plan, one needs a data base with information on the appropriate unit of account and that information should include income by type and payroll tax liability. If the plan is to be financed from general revenues, one also needs information on the personal income tax liability for the unit of account.

Let us abstract for the moment from the formidable problems of projecting data bases and concentrate on estimates based on some observed data bases. The first serious problem that arises is that there is no data base which contains all of the relevant variables. For example, the SSA program data as recorded in the Continuous Work History Sample (CWHS) provide information on taxable earnings of covered workers. Analyses based on that data base would be limited to plans with persons as the unit of account, and the offset tax base would be limited to taxable earnings. Alternatively, the Statistics of Income data might be used, but low income earners are not tax filers and so the population group of greatest concern is missing from the data file. And so one turns to the March Current Population Survey (CPS) as the data base which comes closest to containing all of the relevant variables.

The information on family composition in the CPS is adequate for definition of various units of account—the person, or the family, or some unit more closely approximating the income tax filing unit. Moreover, eight types of income are recorded for each person 14 years of age or more, and so various definitions of offset tax base may be derived. Information is not collected on payroll tax liability or on income tax liability and must be estimated on some basis. For the work which we have done thus far, we have estimated payroll tax liability based on the income, industry, and occupation data contained in the CPS, in conjunction with program data.

In reporting the results of our analysis of payroll tax reform we conclude as follows:

> The cost estimates also reflect limitations of the basic data underlying the projection—the income and demographic data reported in the Current Population Survey (CPS). The aggregate amount of taxable earnings identified in the CPS for 1971 was $21 to $24 billion less than the comparable figure from SSA

> program data and the number of workers with taxable earnings was about 5 to 6 million less. In other words, CPS taxable earnings were 94 to 95 percent of the comparable program data and the number of workers with taxable earnings about 93 percent to 94 percent of the program figures. The undercount of workers and the understatement of taxable earnings are attributable to a variety of factors, including Census undercount and response error. Work currently under way in the Division of Economic and Long-Range Studies in connection with an exact match of the March 1973 CPS with social security program data will be of value in analyzing these problems.[1]

While it is true that the exact match of CPS with administrative data is of value in analyzing response error problems, it is of limited value in adjusting for nonresponse error. The problem here is as follows: Nonrespondents are assigned values for, say, income, based on respondents; but response rates are lower at high income levels than at lower income levels and so the average income of respondents is lower than the average income of nonrespondents. The exact match is of limited help with this problem because many nonrespondents cannot be matched with administrative records, and thus the information in the record is of no value in the estimation process.

An alternative approach to the use of administrative records involves their use at an earlier stage in the study design—in the selection of the sample of households to be interviewed. Such a procedure of merging two sampling frames—households as recorded in the 1960 Census and tax returns—was used to good effect in the Federal Reserve Board wealth survey of the early 1960s. There are two main points here. One is that the use of the tax frame assures the coverage of high income households which may not have been picked up in the Census count. And, two, information from the tax frame may be used in adjusting for nonresponse; that is, the information that a nonrespondent is in a very high adjusted gross income bracket (AGI) may be used to associate him with respondents in his AGI bracket.

There is considerable interest in SSA, in DHEW, and throughout the academic community in a new survey of income and wealth which would make better use of data from administrative records in the estimation process than the CPS presently does. There are as many opinions about exact subject matter as there are players, but it is usually assumed that, for starters, the basic subject matter would be similar to that in

[1] D. S. Projector, D. Podoff, and M. P. Johnston, "Payroll Tax Relief and Its Distribution in the Population—Method of Estimation and Results for 1975," *Studies in Income Distribution,* No. 3, U.S. Department of HEW, SSA, ORS (November 1974), p. 21.

the March CPS—that is, income, work experience, and demographic information. The more ambitious players also recommend that the survey be conducted more than once a year, both for reasons of improving quality of the annual estimates and in order to collect information on additional variables such as wealth in its various forms. Other proposals include panel operations and the kind of proposal suggested by Brill—to follow a demographically representative sample of workers from the time of initial entry into the labor force until they reached the age level where the statistics suggest the development of more stable employment patterns, seems extremely worthwhile as a candidate for early inclusion in the new survey.

DISCUSSION

WILLIAM SPRING
Boston University

The measure of subemployment is so crucial—and so complex in its possible variations—that it surely deserves a session all to itself. Perhaps next year. Of all possible expansions in unemployment data, it is the one now mandated by law. The fine work of Herman Miller and Sar Levitan and Robert Taggart III, together with work we are discussing today, give us the foundation upon which to build.

As I understand it, the 70-step method for determining local area unemployment rates came in wide usage only after the passage of the Area Redevelopment Act in 1961, an act that distributed millions of dollars based on local unemployment data.

Now the Comprehensive Employment and Training Act of 1973, and its 1974 amendment (Title VI), the Emergency Jobs Act, is distributing *billions* on the basis of unemployment rates in areas even smaller than the ARA.

So it is with a sense of fitting continuity that we find the Bureau of Labor Statistics, as announced by James R. Wetzel, expanding the Current Population Survey by 25 percent in order to provide statistically satisfactory sample data for every state and many additional Standard Metropolitan Statistical Areas. One can only share his desire that the Bureau be given sufficient funds to expand still further.

Daniel Brill, in his fine paper, makes it clear, however, that to understand labor market functioning requires going beyond counting and crosstabulations to longitudinal studies of the experience in the labor market of new entrants, and particularly the experience of young workers and women for whom unemployment is chronically high. The sample survey can tell us the fact that people are unemployed frequently, but it cannot give us much insight as to why. In the absence of accurate information, theories abound—theories often put to political use beyond the intentions of the hypothesizers. Brill also suggests gathering information on training investment experience of private firms—a terrific idea if it can be done.

However, CETA goes farther than the ARA. While both led to an improvement in BLS data gathering, CETA explicitly requires the BLS to begin the development of a measure of the relationship between poverty and the labor market, a subemployment index—and to continue the calculation of the three-level family budget.

Section 312 (c) reads:

> The Secretary shall develop preliminary data for an annual statistical measure of labor market related economic hardship in the nation. Among the factors to be considered in developing such a measure are unemployment, labor force participation, involuntary part-time unemployment, and full-time employment at less than poverty wages.

It is to this measure that Prof. Vietorisz and his colleagues devote themselves in the paper ably read by Jean-Ellen Giblin.

While I am not convinced that the best measure is the variant put forth by the authors—dividing the measure into two separate measures, one of individual experience and the other of family earnings—one can only admire the work done by this team over the last few years in establishing that measures of subemployment correlate more closely with many symptoms of social disintegration than does the unemployment rate itself. The two-step measure—of "inadequate" earnings for families and "exclusion" of individuals—does make clear how much more severe the problem is for all adults (75 percent of the adults in the Detroit CPS area) than for families (52 percent). Are we willing or able to restrict job programs for only heads of families? If not, are we prepared for the action on the scale needed?

If the subemployment rate (the measure of a labor force's ability to earn a decent living) is a better predictor of crime than the unemployment rate, we have come upon a crucial new social indicator that deserves wide recognition and use. In a society geared to the work ethic, it is dangerous for public policy to speak as if the crucial question were employment or unemployment, as we now do. Public support for policies to provide full employment at decent wages (the first two of FDR's new economic "rights" of 1944) depends upon the development of a simply understood measure or index of how far we fall short of that essential social goal. As of now we are without such a measure. For the standard unemployment rate, a job is a job is a job, even if it is only part time at below poverty wages.

VI. CONTRIBUTED PAPERS*

Adjustments in Employment, Earnings, and Family Size as Potential Paths out of Poverty

SANDRA A. HELMICK AND EDWARD J. METZEN
University of Missouri—Columbia

Unemployment, underemployment, low earnings, and large family size are readily recognized as factors contributing to inadequate family incomes. This paper presents a simulation of four alternatives for adjusting these factors and compares the potential effectiveness of each in reducing the incidence of poverty among families in eight diverse samples. This presentation is intended, in part, to answer the question, "If families had made full use of their human resources at the prevailing minimum wage rate, what proportion would nonetheless have had incomes inadequate to meet basic needs?"

Determining the level at which human resources are fully employed requires an assessment of the hours potentially available for employment. In this analysis, consideration was given to the degree of disability and to nonmarket obligations, such as care of dependent family members and school attendance, in determining the available hours.

The samples used for this analysis include families of varying ethnic and regional backgrounds. The data were obtained from a cooperative regional research project conducted under the auspices of the Agricultural Experiment Stations, entitled "NC-90—Factors Affecting Patterns of Living of Disadvantaged Families." Small towns near the intersections of Missouri, Iowa, Nebraska, and Kansas were randomly selected to provide a representative sample of families in these communities; this sample is designated in this report as MINK towns. In four urban communities, samples were drawn from areas identified as having a high incidence of low income families; the Houston, Texas, urban sample was entirely black, the others of mixed ethnicity. Rural families from selected counties in Vermont, black families from rural East Texas, and farm

* The Association wishes to thank its members who served on the review panel for the Contributed Paper session: Jack Barbash, Peter Barth, Milton Derber, Walter Fogel, Joseph P. Goldberg, Mark Kahn, Raymond Miles, Thomas Patten, Charles Rehmus, Myron Roomkin, Howard Rosen, Gerald Somers, Jack Stieber and Herbert Striner.

workers in migrant labor camps in California were also among the eight samples analyzed.

For a household to be eligible for inclusion in the study, there must have been a female homemaker under 65 years of age with one or more children under the age of 18 in the household. An additional restriction stipulated that there was a husband present for the 12 months prior to interview, that he was between the ages of 16 and 64, and that he was not disabled to a degree which would limit his ability to work. The homemaker served as the respondent for the personal interviews which were conducted in the spring of 1970.

Determining the Hours Available for Employment

For each family in the samples studied, a determination was made of the hours of employment which could be "expected" for each family member, allowing for disability and for nonmarket obligations such as care of dependent family members and school attendance. It should be noted that the term "expected" is not meant to imply that families *ought* to be engaged in that level of employment, but is intended to reflect the potential hours available for a family of given circumstances.

Certain family and personal characteristics were considered in arriving at the expected hours of employment. Male family heads and other family members, excluding respondents, age 16 through 64 and not enrolled in school were expected to be employed 2,000 hours for the year. A family member over the age of 16 enrolled in high school or college was expected to be employed 500 or 750 hours, depending on the number of months in the household.

Respondents with a child under the age of 3 were not expected to be employed. Respondents with the youngest child age 3 or more but not enrolled in school were expected to be employed 1,000 hours; with youngest child enrolled in school but under the age of 16, 1,500 hours; and with no children under the age of 16, 2,000 hours.

Adjustments were made for family members of working age who were disabled, for respondents who provided necessary care for disabled family members, and for family members not present in the household the entire 12 months.

Determining the Hours Actually Worked

Information was obtained from the respondent regarding the hours and weeks worked by each family member for each job which paid $100 or more during the 12 months prior to interview. In addition, hours and weeks of work contributed to an enterprise operated by a family member, but for which no pay was received, were included.

Determining the Adequacy of Income

Income must be considered in the context of family size and composition if it is to adequately reflect relative economic well-being. Various means have been used to fix a standard of needs for a family of particular size and composition, the most widely used and recognized being that of the Social Security Administration, which defines families as "low income" if their income is less than three times the cost of the economy food plan established by the USDA as meeting minimum nutritional standards on a short-term basis. In this analysis, the alternate threshold, one based on the low cost food plan which is 25 percent higher in cost than the economy plan and is designated as appropriate for long-term use, was used as a standard for determining income adequacy.[1] An income standard was established for each family on the basis of sex and age composition, with adjustments for family size to allow for economies of scale. Regional pricing of food made possible adjustments to the income standard for area of residence.

The Incidence of Poverty in These Samples

The proportion of families in these samples that experienced substandard incomes, as indicated in Table 1, ranged from 11 percent in the small towns sample to 85 percent among the California migrant workers. Unemployment and underemployment were factors contributing to income inadequacy; the average employment intensity index[2] of families in these samples ranged from .65 to .93 for the low income families, compared to averages of .99 to 1.22 for families with incomes of two or more times their income standard. Average earnings rates[3] for the primary worker in the low income families ranged from $1.70 to $2.78, compared to $3.04 to $5.90 in the more affluent families. Another factor contributing to income adequacy was family size; the low income families averaged between 5.3 and 6.9 members in these eight samples, compared with 3.5 to 3.8 among the more advantaged families.

Four Alternatives for Reducing Poverty

The potential effect of increased employment, improved earnings

[1] Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin* 28 (January 1965), pp. 3–29.

[2] The measure of employment intensity for the family relates actual hours employed to hours available for employment, with a value of 1.00 indicating full employment of family members. The index is developed fully in Edward J. Metzen and Sandra A. Helmick, "Employment Efforts of Family Members—Who Works and How Much," *Home Economics Research Journal* 2, (June 1974), pp. 222–240.

[3] Earnings rates were determined as take-home pay plus payroll deductions from all jobs held during the year, divided by total hours worked. For self-employed persons, earnings rates were determined as the reported business profits, less any earnings imputed to family members who worked in the business for no pay, divided by the number of hours worked by the operator.

TABLE 1

Incidence of Poverty and Values for Related Factors

Sample (n)	Families with Substandard Income				Families with Income Twice Standard or More			
		Mean Value of				Mean Value of		
	Percent of Sample	Employment Intensity Index[a]	Family Size	Hourly Earnings[b]	Percent of Sample	Employment Intensity Index[a]	Family Size	Hourly Earnings[b]
MINK towns (612)	11	.89	6.4	2.04	31	1.09	3.8	4.01
Champaign-Urbana (184)	14	.74	6.3	2.43	32	.99	3.8	5.90
East Chicago (134)	24	.65	6.9	2.78	18	1.07	3.7	3.86
Toledo (92)	24	.75	6.6	2.51	27	1.19	3.7	3.51
Houston (100)	33	.78	6.3	2.08	11	1.22	3.7	3.04
East Texas rural (148)	40	.75	5.6	1.70	18	1.04	3.5	3.37
Vermont rural (136)	35	.93	5.3	1.80	7	1.22	3.8	3.61
California migrants (154)	85	.68	5.7	1.82	0	.....	.....	.....

[a] The employment intensity index relates actual hours employed to hours available for employment, with a value of 1.00 indicating full employment of family members.

[b] Hourly earnings are expressed for the primary worker only.

TABLE 2
Impact of Employment, Earnings Rate, and Family Size Simulations on Incidence of Substandard Family Income[a]

Sample (n)	Percent of Families with Substandard Income				
	Actual Earned Income Only	Alternative A[b]	Alternative B[c]	Alternative C[d]	Alternative D[e]
MINK towns (612)	15	12	10	8	7
Champaign-Urbana (184)	20	20	13	9	11
East Chicago (134)	28	28	19	7	11
Toledo (92)	28	28	20	12	15
Houston (100)	36	34	17	19	23
East Texas rural (148)	43	41	28	23	33
Vermont rural (136)	42	32	32	29	33
California migrants (154)	87	79	48	47	82

[a] Only families that were determined as low income based on actual employment and earnings are included in the simulations. Results for each alternative based on assumption that income from sources other than earnings would be lost.

[b] *Alternative A*—Adopt wage rate of $1.60 per hour in lieu of actual rates for observed hours of employment.

[c] *Alternative B*—Adopt wage rate of $1.60 per hour for expected hours of employment, in lieu of actual rates for observed hours.

[d] *Alternative C*—Fill employment gap between expected and observed hours with employment at $1.60 per hour.

[e] *Alternative D*—Adopt mean poverty threshold (reflecting family size and composition) of the nonpoor families in the sample.

rates, and reduced family size on the incidence of poverty for families in these samples is presented in Table 2.

It must be recognized at the outset that income accrues to families from sources other than employment for pay or profits from self-employment. Much of this nonlabor income is totally or partially work conditioned; for example, unemployment compensation, retirement benefits, and aid to families of unemployed fathers. Also, some transfer payments are determined on the basis of family size. For the low income families in this analysis, most miscellaneous income arose from sources such as these; therefore, a change in the employment, earnings, or size of family would have resulted in at least partial loss of income from these other sources. In the presentation in Table 2, it is assumed that income from sources other than earnings would have been lost entirely if the family had realized additional employment, improved earnings, or a smaller family size. The percentage of families that would have been determined as low income based on earned income alone is presented in the first column. (A comparison can be made with the percentages of families that were low income based on total income, which are presented in Table 1, to observe the impact of income from miscellaneous sources upon the incidence of poverty in these samples.)

The four alternative approaches to reducing the number of low income families, presented in the remaining columns of Table 2, are: 1. *Alternative A*—Adopt a wage rate of $1.60 (the minimum wage prevailing at time of interview) in lieu of the actual rates for the observed hours of employment. 2. *Alternative B*—Adopt a wage rate of $1.60 for the total number of hours which have been determined as available for employment by all family members. 3. *Alternative C*—Add hours of employment at $1.60 per hour to fill the gap, if any, between observed and expected employment. 4. *Alternative D*—Assume that the income standard, reflecting family size and composition, for the low income families in each sample was equivalent to that for the nonpoor families in that sample.

Our concern here is solely with the families determined as low income under their actual employment and earnings situation. Although it is possible that nonpoor families could have fallen into the low income classification under the simulated alternatives, these families were excluded from these simulations.

Adopting the minimum wage for all hours *actually worked* would have been of little or no help in alleviating poverty in the urban areas because the wage rates there were well above that level. Primary workers in the low income families in the north-central urban areas had average hourly wages near or above $2.50, as indicated in Table 1. A wage of $1.60 with no change in hours would have effected some improvement in the MINK towns, Vermont, and California samples because of the very low hourly wages of the wives and other secondary workers in those samples.

Applying the $1.60 wage rate to the total hours *available* for employment of family members would have resulted in an improvement over *Alternative A,* indicating that providing adequate employment opportunities would have had greater impact than guaranteeing the minimum wage. The difference in results was slight in the small towns and there was no difference in the rural Vermont sample, where families were already attaining a relatively high intensity of employment. In the other samples, *Alternative B* would have made a significant difference in the incidence of poverty, because of either relatively low employment intensity or low earnings rates of secondary workers.

The opening question of this report, "If families had made full use of their human resources at the prevailing minimum wage, would they have achieved adequate family incomes?", can be answered by applying *Alternative B.* If the members of these low income families had earned the minimum wage for all hours potentially available for employment, the incidence of poverty would have remained over 25 percent of the

families in three rural samples, and between 15 and 20 percent in three urban samples.

A third alternative assumed that the actual employment and earnings situation was supplemented by enough additional hours of employment at $1.60 to fill the gap, if any, between observed and expected hours of employment. This additional employment would have reduced the proportion of families defined as low income by about half in six samples and by 75 percent in East Chicago. In Vermont, members of the low income families were already 93 percent fully employed so the additional hours made least difference in that sample, but even there the incidence of poverty would have been reduced by one-third. This combination of actual wages for the observed hours, supplemented by additional employment at $1.60 per hour, would have been the most effective of the four alternatives in reducing the incidence of poverty in these samples; however, 20 percent or more of families would have remained with substandard income in three of the samples.

It is often alleged that many of the poor fall within that definition merely because they have more children than the nonpoor. It is true that, as indicated in Table 1, the average household size of the low income families was greater than that of the more advantaged families in these samples. If we assume that the income standard, reflecting family size and composition, for the low income families in each sample had been equivalent to that of the nonpoor families for that sample, a number of families would have been removed from the low income classification.

The potential effect of such an adjustment in family size appears most significant in the northern urban areas and small towns where the poverty that existed was rather marginal because of high earnings rates or employment intensity. With income expressed as a percentage of income standard, the low income families in these four samples attained mean adequacy ratios ranging from 76 to 78 percent. In contrast, in the California sample, which experienced low earnings and employment intensity, income of the low income families averaged only 55 percent of their standard. Thus, the northern urban and small town families were more easily raised out of the ranks of the low income by adjustment in family size because they had (1) incomes that were closer to the standard for adequacy than was true for other samples, and (2) family size that exceeded by a greater margin the mean family size of the more affluent families (see Table 1).

Conclusions and Implications

The implementation of the minimum wage for all hours actually worked by the family members represented in this study would have

had only a slight effect on the incidence of poverty for these families. Although the minimum wage is popularly thought of as being "set so that *a person* working a *normal* number of hours can support a family at acceptable minimum standards,"[4] it can be seen from this analysis that many families with substandard incomes would still have been considered low income even if *all hours available* for employment *by all family members* had been expended at a rate of $1.60 per hour. And if families of all income adequacy levels had been included in the simulation of *Alternative B,* payment of $1.60 per hour for all hours available for employment by family members, the incidence of families with substandard incomes would have been substantially higher. Percentages ranging from 47 for the Houston families to 77 for the Vermont rural sample would have had incomes below the standard of adequacy for their particular family. This simulation brings into clear perspective the degree of effectiveness of the minimum wage as a means of assuring adequate incomes.

Unemployment and underemployment were certainly prime factors contributing to the inadequacy of these families' incomes. But there is substantial evidence of the presence of the "working poor," here defined by the rigid standard of not only full-time employment of the able-bodied male head, but all of the hours available for employment by other family members as well. In four of the eight samples presented here, at least 25 percent of the low income families did fully employ their human resources. Had all of the low income families in these samples been able to eliminate underemployment with additional hours at the minimum wage, percentages of families ranging from seven in East Chicago to 47 among California migrants would have remained with substandard incomes.

This analysis suggests that the causes of inadequate incomes are, indeed, diverse and that an appropriate mix of policies and programs is needed to resolve the problem. Development of conditions that provide an opportunity for attaining an adequate income for every family which fully employs its human resources would seem to be a reasonable goal for an affluent society. Such a goal requires the provision of a sufficient number of private and public sector jobs to assure optimum employment of human resources, perhaps with some system of giving priority in allocation of selected public service jobs to members of families that would have substandard incomes without such earning opportunities. Of particular importance is the need to provide jobs for secondary workers in families where the primary worker's income is inadequate to meet family needs.

[4] "Minimum Wage," *World Book Encyclopedia* (1974), XIII, 4842 (emphasis added).

Wage levels that will enable families to attain adequate incomes are essential; and, to provide levels of productivity appropriate to these wage rates, job training and skill upgrading opportunities must be available. If, as a matter of national policy, mothers of small children are expected to be employed when their earnings are essential to attain adequate family income, then adequate child care services must be provided free or at prices that will make such employment economically feasible. Transportation facilities that make job markets accessible, particularly to multiple-earner families, are needed. And family planning programs to assist families in limiting children to a number appropriate to their earning capacity are also in order.

No combination of such policies and programs will by themselves solve entirely the problem of inadequate incomes for all families in the society. There will remain the problem of eliminating the risk of financial disaster resulting from catastrophic health care costs, for example. And low income families of retirement age, or with potential earners disabled, or with a composition that does not provide enough employment capacity to meet family needs, will have to rely in large measure on social insurance and transfer payments to supply them with income. But for the large majority of families, which contain at least one—and often more—able-bodied, working-age individual, a combination of effective programs of the types outlined above could make substantial inroads on the problem of income inadequate to meet minimum family needs.

Collective Bargaining and the Quality of Work: The Views of Local Union Activists*

THOMAS A. KOCHAN
DAVID B. LIPSKY
LEE DYER
Cornell University

Each decade seems to bring with it new challenges to the institution of collective bargaining in the form of social critics who argue that the process is outmoded and unresponsive to the needs of American workers.[1] This decade's challenge comes from those who express grave concern about the quality of working life in American society.

The essential argument may be paraphrased as follows:[2] American unions have traditionally used the process of collective bargaining to improve the wages and fringes, general working conditions, and the job security of their members. The bargaining process has performed effectively on these issues because workers have generally shared common perceptions of their importance and because they involve a clear-cut distinction between the interests of management and the interest of labor (i.e., they are distributive issues in Walton and McKersie's terms[3]).

But now, some critics argue, workers have rearranged their priorities and are becoming less concerned with traditional issues and more concerned with the "quality" of their work. Union leaders, the argument continues, have been slow to deal with these new concerns. In part this is because they involve issues such as worker participation, job mobility, flexible work time, and job redesign which are unfamiliar and perhaps

* The research was supported by grants from the New York State School of Industrial and Labor Relations and the Ford Foundation. Points of view and opinions stated in this paper do not necessarily represent the official position of the ILR School or the Foundation. The authors are particularly indebted to the Coordinators of the ILR School's Labor Studies Program for their cooperation; they also would like to thank Robert Kahn for his research assistance.

[1] See, for example, "The Crisis in the American Trade Union Movement," a collection of papers in the November 1963 issue of the *Annals of the American Academy of Political Science.*

[2] For more complete statements of these arguments, see *Work in America,* Report of a Special Task Force to the Secretary of Health, Education, and Welfare (Cambridge, Mass.: MIT Press, 1972); A. Salpukas, "Unions: A New Role?" in *The Worker and the Job: Coping with Change,* ed. J. Rosow (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1974); or D. Ephlin, "The Union's Role in Job Enrichment Programs," *Proceeding of the 26th Annual Winter Meeting,* Industrial Relations Research Association (Madison: The Association, 1974).

[3] R. Walton and R. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill Book Co., 1965).

intimidating to union leaders. Further, it is because they involve areas in which the differences between union and management interests are not always clear (integrative issues in Walton and McKersie's terms). This may mean that they are less appropriate for handling through traditional bargaining modes and may instead require joint efforts involving mutual cooperation between management and labor in the design, implementation, and evaluation of programs involving organizational change.

In brief, social critics who advance this point of view are suggesting that workers are developing new needs and goals to which union leaders and the process of collective bargaining have not yet responded and in fact may not be able to respond. Trade union leaders and some intellectuals have not allowed this position to go unchallenged, of course. Some have argued that recent concerns about worker participation, autonomy, job challenge, and the like are of far greater interest to "pop sociologists" than to the rank and file.[4] Others agree that the challenge of rising worker expectations is a real one, but feel that it is a challenge that can and will be met and overcome through the normal channels of collective bargaining.[5]

Unfortunately, to date this debate between the critics and friends of collective bargaining has been conducted almost entirely at the impressionistic level. Seldom has convincing data been introduced to support the contentions of either side. Particularly noticeable has been the absence of evidence concerning the views of local union officers and the rank and file.

This latter point is distressing since this group is probably key to determining whether or not the concerns of the quality of work advocates will be taken at all seriously by labor union leaders and, if so, how this will impact on the process of collective bargaining. This is true for several reasons. First, union leaders are elected officials and to a large extent the issues they pursue are determined by the needs and desires of their constituents. Second, even if quality of work issues are seen as important to local leaders and the rank and file, it is still an open question whether or not these individuals feel that collective bargaining is an effective means of pursuing their goals on this front. They themselves may feel, along with the social critics, that these are areas with which the traditional bargaining process is simply not equipped to deal.

[4] See, for example, two articles appearing in the February 1973 issues of *The Federationist:* W. Winpisinger, "Job Satisfaction: A Union Response" (pp. 8–10) and J. Kristol, "Job Satisfaction: Daydream or Alienation?" (pp. 11–12).

[5] See, for example, J. Bluestone, "Worker Participation in Decision-Making," paper delivered at the Conference on Strategy, Programs, and Problems of an Alternative Political Economy, Institute for Policy Studies, Washington, March 2–4, 1973.

This may be particularly true if they disagree over the importance of these issues or if they feel that the interests of management and labor in these areas are sufficiently similar to warrant the establishment of joint union-management change programs outside the normal channels of collective bargaining.

The purpose of the present study was to assess the views of local union officers and activists on these matters. Specifically, the study was designed to answer the following questions:

1. Do local union leaders and members see so-called quality of work issues as equal in importance to the more traditional issues of collective bargaining? Do they tend to agree or disagree on these ratings of importance? Do they see quality of work issues as more integrative; that is, as those on which the goals of management and the union are pretty much the same?

2. Is the collective bargaining process perceived to be (a) effectively responding to the goals which are rated as being most important; (b) more effective on issues on which there is general agreement regarding their importance than on those where larger individual differences exist; and (c) more effective on issues that are perceived to be more distributive than integrative?

3. Do these individuals feel that quality of work issues should be handled through bargaining, or do they feel the need for new approaches to union-managment relations? In particular, are there issues which are viewed as important, but as not being handled effectively through collective bargaining, and, thus, as holding strong potential for joint programs of organizational change?

Sample and Methods

To find answers to these questions, a questionnaire was developed and administered to a sample of 221 persons enrolled in the Cornell Labor Studies Program, a noncredit, certificate program conducted in New York City, Albany, Rochester, and Buffalo. The program offers students a series of courses in labor relations, collective bargaining, and related subjects and is designed principally for local union officials and active rank and file.

Students enrolled in the program seemed a sample ideally suited to the purposes of this study. The mixture of local and district-level union leaders and active rank and file (stewards, committeemen, etc.) provides us with an excellent cross-section of the views held by committed, union activists. By virtue of their experience and their enrollment in the Labor Studies Program, these union members are knowledgeable about labor negotiations and issues of concern to local union

members. Many aspire to careers in the union movement or, at least, to move up the union hierarchy. Further, these union activists represent most major industries, occupations, and unions. If collective bargaining relationships are to be redirected in the near future, as some would advocate, the kind of people in this sample will play important roles in bringing about—or opposing—this change.

The personal characteristics of the respondents in this sample are shown in Table 1. About half the sample come from the New York City area and half from the three upstate locations. Most of the respondents are part-time, unpaid local union officials, although about 40 percent are full-time leaders. The median age of the sample is about 40. Over 80 percent are male and 27 percent are black (most of the latter are from New York City). The typical respondent is a high school graduate, holds a blue-collar job, and earns between $200 and $250 a week. He has been a union member most of his working life, and a union official for the last several years.

TABLE 1
Selected Personal Characteristics of the Survey Sample

Characteristic	Percentage
Location:	
Rochester	10.4
Buffalo	26.7
Albany	9.9
New York City	53.0
Age:	
Under 25	1.9
24–34	28.6
35–44	33.8
45–54	29.1
55 and above	6.6
Sex:	
Male	78.3
Female	21.7
Race:	
White	65.3
Black and other minority	34.7
Education:	
Under 12 years of school	7.9
High school graduate	45.8
More than 12 years of school	46.3
Current union position:	
National union officer	0.9
District or regional officer	8.1
Local union officer	35.8
Committeemen	29.4
Steward	35.3
Other	15.4
(Adds to more than 100% because some respondents hold more than one office).	
Full-time or part-time union position:	
Full-time	40.2
Part-time	59.8

Thirteen job-related issues were chosen in order to obtain the respondents' perceptions of (1) the importance of the issues, (2) their integrative-distributive nature, (3) the effectiveness of collective bargaining, and (4) the potential for joint union-management change programs. The items were carefully chosen from previous studies in order to be representative of (1) empirically derived dimensions of job satisfaction, (2) labor standards areas that workers have indicated are important, and (3) issues that have traditionally been handled in collective bargaining. The national survey of working conditions conducted by the University of Michigan was used as the basic source for the job satisfaction and the labor standards items.[6] Several traditional collective bargaining issues were added to the list to make it more complete. The exact wording of the items is presented in Table 2.[7] In the remaining tables abbreviated labels for the items (shown in parentheses in Table 2) are used to conserve space.

Results

Nature of Issues

A two-step rating and ranking procedure was used to measure the importance of the work goals. The respondents were first asked to distribute the 13 issues across four categories of importance. They were then asked to rank each of the goals they had previously placed in each of the four categories. The percentage distributions of these ratings and the average rankings obtained are shown in Table 2. Although the respondents were not told in advance of our categorization of the issues, it can be seen in Table 2 that almost without exception the labor standards and traditional bargaining issues (earnings, fringe benefits, job security, etc.) received higher importance ratings and rankings than the quality of work issues (interesting work, supervisor relations, productivity, etc.). One traditional issue—hours—is ranked relatively low. This may be because of the ambiguous way we phrased the issue; many union officials are not concerned with "working fewer . . . hours," but rather seek to make more hours of work available to their constituents.

Two quality of work issues are rated at or above the median rank in importance by the respondents. "Having more to say about how the work is done" is viewed as either somewhat or very important by 85 per-

[6] R. P. Quinn, T. E. Mangione, and M. S. Baldi de Manilovitch, "Evaluating Working Conditions in America," *Monthly Labor Review* 96 (November 1963), pp. 32–41.

[7] Unfortunately, direct comparisons of our findings with those of the Michigan study are not possible since different response formats were used to obtain the importance ranking of the labor standards items and the job satisfaction items in the Michigan study. Also, none of the numerous studies of job satisfaction has attempted to make direct comparisons of traditional bargaining issues with quality of work issues, and thus it is difficult to make direct comparisons with previous empirical research in this area.

TABLE 2

Respondents' Ratings of Importance of Job Related Issues[a]

Issue	Not At All Important	Not Too Important	Somewhat Important	Very Important	Mean Ratings	Standard Deviation (Ratings)	Mean Rankings	Standard Deviation (Rankings)
Earning enough money to meet my needs ("earnings")	0%	1.4%	6.8%	91.8%	3.904	0.339	12.67	2.10
Having enough of the right kind of fringe benefits ("fringe benefits")	0	1.8	18.9	79.3	3.774	0.461	10.87	2.57
Improving the safety of my workplace ("safety")	1.4	7.7	15.9	75.0	3.645	0.684	10.33	3.74
Decreasing the chance of being laid off or fired ("job security")	3.2	10.5	18.6	67.7	3.509	0.808	9.18	3.52
Increasing the way my day to day problems and grievances are settled ("grievance procedure")	3.7	9.6	33.0	53.7	3.367	0.508	7.74	3.10
Having more to say about how the work is done ("control of work")	4.1	10.1	39.4	46.3	3.280	0.809	7.86	3.44
Improving conditions that interfere with getting the work done ("adequate resources")	3.6	15.5	35.0	45.9	3.232	0.842	7.30	3.11
Getting a better job in the company ("better job")	9.1	18.3	28.3	44.3	3.078	0.995	7.27	4.18
Having more interesting work ("interesting work")	11.0	17.4	30.7	40.8	3.014	1.014	6.80	3.82
Working fewer or different hours ("hours")	6.5	26.3	41.0	26.3	2.871	0.878	6.11	3.62
Improving the productivity of the company ("productivity")	11.0	22.4	36.5	29.9	2.858	0.974	5.08	3.52
Getting along better with my supervisors ("supervisors")	13.6	27.6	35.5	23.0	2.677	0.980	4.65	3.12
Cutting down on my work load and/or work speed ("work load")	15.7	28.1	34.6	21.7	2.622	0.993	4.64	3.40

[a] Issues are ranked by mean.

cent of the sample. "Improving conditions that interfere with getting the work done" is ranked important by 80 percent of the sample. We believe the latter issue is similar to the issue, "Improving productivity of the company," yet "productivity" is ranked significantly lower. This may be because the word "productivity" suggests to these union activists problems that are wholly the concern of management or policies that run counter to union interests, such as a "speed-up." (More than any other area "improving productivity" is the one in which the respondents felt their unions should not become involved—see Table 5).

Is there agreement on what the respondents consider important? An examination of Table 2 indicates that there is a high correlation between the standard deviations of the importance ratings and their means. The rank order correlation is +.86. There is little dispersion on the issues ranked "very important" and a good deal of dispersion on the issues ranked much lower. In other words, there is a consensus among these union people concerning the importance of earnings, fringe benefits, and safety, but much disagreement concerning the importance of issues such as "interesting work" and "better jobs." This may result in part from the limited scale we permitted the respondents to use, but we believe that a more differentiated scale would produce essentially the same result. There appears to be general agreement about the importance of the hard-core items of bargaining, but considerable disarray on quality of work issues.

To measure perceptions of issues as either integrative or distributive in nature, they were asked to rate on a four-point scale the extent to which their union and their employer(s) were attempting to accomplish the same or conflicting goals on each issue.

The results obtained with this measure are rather surprising (see Table 3). Most respondents perceive the issues examined as being more distributive than integrative. More than half checked the distributive options (completely different or somewhat different goals) on all issues except safety. Almost 70 percent checked the integrative options for the safety issue.

More surprising still is the nature of the break that exists between quality of work issues and traditional issues. The literature would suggest that the former would be seen as more integrative and the latter as more distributive. The data in Table 3, however, show that the modal response on all quality of work issues except adequate resources is "completely different"; conversely, except for earnings, the modal response for all traditional issues is "somewhat the same." We suspect that this breakdown must be more than accidental. Yet clearly it is opposite our expectation.

TABLE 3
Respondents' Perceptions of the Integrative-Distributive Nature of Issues[a]

Issue	My Union and the Company Want To: Accomplish Completely the Same Thing	Accomplish Somewhat the Same Thing	Accomplish Somewhat Different Things	Accomplish Completely Different Things	Mean	Standard Deviaiton
Productivity	4.8%	25.4%	30.7%	39.2%	3.042	0.916
Work load	5.8	23.2	33.3	37.6	3.026	0.919
Control of work	9.7	24.5	26.5	39.3	2.954	1.014
Better job	8.8	23.8	31.1	36.3	2.948	0.978
Supervisors	9.2	27.0	31.1	32.7	2.872	0.976
Earnings	9.3	26.5	32.8	31.4	2.863	0.968
Interesting work	9.9	28.8	30.4	30.9	2.822	0.948
Hours	12.3	30.0	28.1	29.6	2.749	1.015
Job security	13.3	30.6	26.0	30.1	2.730	1.034
Fringe benefits	10.4	37.1	22.8	29.7	2.718	1.005
Adequate resources	12.9	33.5	24.7	28.9	2.696	1.026
Grievance procedures	15.6	33.7	25.1	25.6	2.608	1.033
Safety	24.7	43.3	18.6	13.4	2.206	0.965

[a] Issues are ranked by mean.

Why are most quality of work issues perceived as "distributive" and most traditional issues as "integrative"? Many, if not most, of our respondents have had extensive experience at the bargaining table. Perhaps experience has taught them that conflicts on traditional issues can normally be resolved peacefully and amicably. Thus, these issues may no longer be threatening, either personally or institutionally, and the impact of their resolution may be seen as fairly predictable. On the other hand, quality of work issues—productivity, control of work, interesting work, etc.—are topics that generally have not been handled directly at the bargaining table. The distributive responses may reflect these individuals' lack of familiarity with these issues, uncertainty over the degree of potential conflict inherent in them, and apprehension concerning their personal and institutional impact.

Whatever the explanation for the modal responses of the respondents concerning the integrative-distributive mix, the percentage distributions shown in Table 3 suggest that there is little consensus among them on this matter. This may indicate that we have simply failed to obtain a valid measure of this complex concept. To our knowledge, this is the first attempt to measure it, and certainly further testing will be needed to assure the validity and reliability of the measure used. It is also possible (perhaps even probable) that integrative and distributive issues cannot be generalized across unions and employers, but instead are specific either to a particular bargaining relationship or perhaps to the

perceptions of each individual who participates in a bargaining relationship. If the integrative-distributive concept is relationship—or respondent—specific rather than issue specific, the data in Table 3 are not very meaningful since they are aggregated across all respondents. Clearly this is an issue for further research.

Assuming valid measures, the data in Tables 2 and 3 together form a profile of how these respondents perceive this array of goals. The traditional collective bargaining issues are rated as highly important, there is general agreement on their importance, and they are seen as more integrative. In contrast, the quality of work issues are viewed as less important, there is less agreement on their relative importance, and they are seen as more distributive. With these differences in mind, we can now examine the effectiveness of collective bargaining across the same set of issues.

The Effectiveness of Collective Bargaining

In assessing the effectiveness of collective bargaining we are interested in determining whether the respondents perceive bargaining as more helpful in dealing with issues they: (1) rate as more important; (2) agree on with respect to their importance; and (3) view as more distributive. The respondents were asked to indicate on a four-point scale their views on how helpful collective bargaining is in providing desirable outcomes on the various issues in their own place of work. The answers are shown in Table 4.

Generally, the respondents see collective bargaining as most helpful

TABLE 4
Respondents' Ratings of Effectiveness of Collective Bargaining[a]

Issue	Not Helpful at All	Not Very Helpful	Somewhat Helpful	Very Helpful	Mean	Standard Deviation
Fringe benefits	3.3%	6.2%	25.7%	64.8%	3.519	0.759
Earnings	4.7	5.7	24.5	65.1	3.500	0.806
Job security	8.7	11.5	29.8	50.0	3.212	0.960
Grievance procedures	14.0	10.1	38.6	37.2	2.990	1.019
Safety	18.3	16.8	35.1	29.8	2.764	1.071
Hours	20.9	20.9	24.3	34.0	2.714	1.114
Work load	28.5	26.0	35.0	10.5	2.275	0.992
Adequate resources	36.1	21.6	30.3	12.0	2.183	1.057
Better job	39.4	23.6	23.2	13.8	2.113	1.082
Productivity	39.2	22.5	29.4	8.8	2.078	1.019
Control of work	37.5	29.8	23.6	9.1	2.043	0.989
Supervisors	45.1	23.8	24.8	6.3	1.922	0.975
Interesting work	45.1	29.4	17.2	8.3	1.887	0.974

[a] Issues are ranked by mean.

on issues that they rank as most important. The five issues ranked highest on the "effectiveness" scale (Table 4) are the same five issues ranked highest on the "importance" scale (Table 2). The rank order correlation between the mean ratings of the issues on these two dimensions is +.71. Thus, these respondents see collective bargaining as responding most effectively to the job goals to which they give the highest priority.

It should also be noted that the two quality of work issues ranked relatively high on the importance scale ("adequate resources" and "control of work") are viewed as issues on which collective bargaining is *not* particularly helpful. This suggests that perhaps these issues might be suitable subjects for cooperative or joint programs with management, a subject to which we will turn later in this paper.

Clearly, since there is a close correspondence, in the sample's view, between issues ranked important and issues labeled traditional, it follows that our respondents view collective bargaining as most effective on subjects normally considered within the scope of bargaining. In Table 4 notice the sharp break that occurs between the sixth ranked issue, hours, and the seventh ranked issue, work load. By far the largest difference between any two adjacent means in the table occurs at this point. In our view, the work load issue is one that serves as a bridge between the "old" and "new" issues. It has often been the subject of collective bargaining, but it is also very much in the center of the quality of work controversy. The six items on which bargaining is judged to be least effective are the ones most closely associated with the quality of work movement. Note that nearly 70 percent of the sample view bargaining as being not helpful or only somewhat helpful in dealing with an individual's relations with his supervisor. Similarly, 75 percent feel that collective bargaining is not very helpful in making the work more interesting.

In contrast to the above rather clear-cut findings, our data do not provide conclusive evidence concerning whether bargaining deals more effectively with issues where there is common agreement about their importance. Although the rank order correlation between the effectiveness rankings and the standard deviations of importance rankings tends to support this argument ($r = -.49$), this test is somewhat biased because of the restricted range on our scale and because of the high importance rankings given the traditional issues versus the quality of work issues. That is, the traditional issues were issues ranked as most important and also have the lowest standard deviations. Since we earlier found that bargaining is most effective on these highly important issues, there is a built-in correlation between the effectiveness rankings and the

standard deviation rankings. Even though we cannot conclusively answer questions relating to collective bargaining and individual differences, the data are at least consistent with the views of those who have argued that bargaining can deal more effectively with traditional issues than with quality of work issues *because* there is more general agreement on the importance of the former than the latter.[8]

The findings concerning the relationship between the effectiveness rankings and the distributive-integrative perceptions are contrary to our expectations. Since issues rated as more important tended to be rated as more integrative and as being handled more effectively in bargaining, it follows that bargaining is perceived to be more effective on integrative issues. The rank order correlation between the effectiveness rankings and the integrative measure is .50. Again, although we can suggest the same post hoc explanation for this unexpected finding as we did in our previous discussion of the integrative-distributive ratings, further research on this concept is necessary before a definitive interpretation can be made.

The Potential for Joint Programs

How do the respondents feel the 13 issues considered should be handled by their unions? To determine this they were asked to indicate their opinions about the "best way" to deal with each of these issues. The options offered were: The union should (1) set up a joint program with management outside collective bargaining; (2) the union should work through collective bargaining; and (3) the union should not get involved. Table 5 shows the results of this analysis. It is clear that there is a close correspondence between the results in this table and those presented in earlier tables. For example, there is no doubt that these union officials see the greatest potential for joint programs centering around those issues most closely identified with the quality of work movement. At the same time, however, there is a strong negative relation between those issues considered best handled through joint programs and those considered most important: The rank order correlation is $-.63$. Further, there is an almost perfect inverse relation between the effectiveness rankings in Table 3 and joint program potential ($r = -.92$). Finally, our expectation that joint program strategies would more likely be endorsed for issues perceived as integrative rather than distributive is

[8] We have used the standard deviations of the rankings here rather than the ratings because the rankings are less subject to the restriction of the range problem. If we use the standard deviations of the ratings, the rank order correlation with the effectiveness rankings is .81. While both this correlation and the one that uses the rankings are subject to the same bias, the one using the rankings is less serious. Thus, we believe it is the more appropriate statistic.

TABLE 5
Respondents' Opinions About "Best Way" to Deal with Issues[a]

Issue	Set up a joint program with management outside collective bargaining	Seek improvements through formal collective bargaining	The union should not get involved in this area
Interesting work	67.8%	16.3%	15.9%
Supervisors	65.6	19.3	15.1
Adequate resources	60.6	21.2	17.8
Control of work	53.8	26.9	19.3
Productivity	51.2	25.1	23.7
Work load	43.8	42.3	13.9
Safety	41.1	56.5	2.4
Better jobs	38.4	43.6	18.0
Grievance procedures	32.7	67.3	0.0
Hours	31.1	65.6	3.3
Job security	12.2	85.9	1.9
Earnings	5.6	93.9	0.5
Fringe benefits	4.2	95.5	0.5

[a] Issues are ranked by the percentage indicating joint program.

not supported: The rank order correlation between integrative rankings and joint program potential is −23.

On the basis of these findings, we can offer a few comments about the opportunity to develop cooperative union-management arrangements outside formal collective negotiations. The sample seems to see two relatively important issues—adequate resources and control of work—as offering some potential for union-management joint programs. On other issues the views of these union activists do not provide much encouragement for quality of work or joint program advocates. Between one-half and two-thirds of the respondents see a role for joint programs on quality of work issues. It must be remembered, however, that these issues are simply not considered very important, and they are viewed as more divisive and threatening than traditional issues. In short, these data simply do not suggest that there is a widespread clamoring at lower union levels for bold new ventures of union-management cooperation outside the traditional bargaining process.

Conclusions

The process of collective bargaining was judged by the respondents to be an effective instrument for dealing with the goals which were rated as relatively important to them. The data are also consistent with the argument that collective bargaining is limited in its ability to deal with those issues where wide individual differences exist in perceptions of importance and on those issues that relate to satisfaction with the nature of the work itself. These findings support those who have

suggested that the bargaining process is an effective institution for dealing with a highly important but limited array of issues in industrial relations.

This, of course, does not necessarily mean that the bargaining process is responding well to the needs of *all* workers. We must remember that each of the work goals included in our list has been shown in various studies to be highly important to *some* workers and was so rated by many in the present sample as well. Thus, while our findings are encouraging for supporters of collective bargaining, they clearly indicate that in situations where workers perceive quality of work issues as being highly important, new initiatives may receive at least some support.

For those choosing to embark on these experiments, some lessons may be gleaned from our results. First, the issues included in these experiments should be carefully chosen. For example, these data suggest that two issues—providing adequate resources to get the job done and increasing the individual's control over the way the work is done—may have particular potential as starting points in joint programs of organizational change. At the same time, it seems clear that the scope of any joint program should be kept narrow so as to avoid attempting to deal with bread and butter issues of wages, fringes, and job security outside of the collective bargaining process. As a second major point, the centrality that these respondents ascribe to the formal bargaining process suggests that joint ventures must be clearly identified as attempts to *supplement* and not *replace* the traditional collective bargaining relationship. And finally, given the skepticism of these respondents concerning the goals of employers on quality of work issues, it seems likely that local union officials will be hesitant to cooperate in any joint ventures where they are not given a strong voice in shaping the program's goals.

It should be cautioned that the analysis presented here is limited to aggregate comparisons of the opinions of these respondents. No effort was made to determine which subgroups' needs are being effectively dealt with through collective bargaining. Likewise, no effort was made to isolate factors which are systematically related to differences in the perceived effectiveness of bargaining or to differences in the perceived potential for joint programs in a bargaining relationship. Clearly, further analysis is needed along these lines to obtain a more complete understanding of *why* it is that bargaining is felt to perform more effectively in some situations than in others and *why* some relationships seem to hold a high potential for joint programs between unions and employers, while others seem to hold little or no potential for this approach to improving the quality of work.

Education, Job Training, and the Process of Occupational Mobility

CARL J. SCHRAMM
Johns Hopkins University

While many aspects of occupational mobility have been explored, there is little empirical evidence capable of providing more than an incomplete understanding of the connection between education, job training, and mobility. Of the existing sociological studies that deal with the effects of education on mobility, most have examined the impact of higher education, consistently finding a high correlation between college completion and occupational mobility.[1] Generally limited to a manual/nonmanual/farmer breakdown, studies on mobility due to education below the college level have found a similar but much weaker effect.[2] Labor economists, on the other hand, have primarily measured changes in income associated with education and training.[3]

But correlations between the level of education and the amount of nonspecific occupational mobility or income do not fully explain the process of occupational mobility. Many additional factors operate in the labor market—technological changes that leave workers with obsolete skills, the workings of markets within and among firms, as well as such institutional characteristics as hiring discrimination, recruitment procedure, and information transfer. Clearly, several questions remain unanswered: How does the mobility due to specific job training compare with that associated with more general training? Do specific types of training increase the likelihood of upward mobility? What are the effects of job specific training on mobility over time?

Education, Job-Training and Mobility

To shed some light on the above questions, the effects of education and job training on occupational mobility over time were investigated using a national sample of 1632 males aged 18 to 35 from the 1967 Survey of Economic Opportunity (SEO). The SEO data provide detailed

[1] Bruce K. Eckland, "Academic Ability, Higher Education, and Occupational Mobility," *American Sociological Review* 30 (1965), pp. 487–490.

[2] Seymour Martin Lipset and Reinhard Bendix, *Social Mobility in Industrial Society* (Berkeley: University of California Press, 1959).

[3] Gerald G. Somers and Ernst Stromsdorfer, "A Cost-Effectiveness Analysis of In-School and Summer Neighborhood Youth Corps: A Nationwide Evaluation," *Journal of Human Resources* 7 (Fall 1972), pp. 446–459.

TABLE 1
Type of Training and Representative Occupations

Type of Training	Programs Included in Category by SEO[a]	Typical Occupations[b]
Apprenticeship	All programs administered by unions or in trades where the term apprenticeship is applied to the period of the worker's initial on-the-job training, after which he becomes a journeyman; formal apprentice training.	Plumbers, carpenters, meatcutters, painters, bricklayers, machinists, metal workers, electricians, printers.
Business college/ technical institute	Private programs outside of regular school system such as those provided by barber, television repair, and electronics schools, and courses in store management.	Draftsmen, beauticians, artists, dental technicians, office machine operators, medical receptionists.
Company	Any formal, full-time company-provided or sponsored school training of at least six weeks duration; does not include on-the-job training.	Insurance agents, telephone operators, computer technicians, welders, airline personnel.
Armed forces	Any vocational program undertaken while in armed forces which was designed to teach a skill.	Aircraft mechanics, bakers, medical technicians, auto and truck mechanics.
Vocational	Formal vocational programs conducted outside of regular school, operated by social or governmental agencies, such as vocational rehabilitation.	Bookkeepers, dressmakers, secretaries, radio and television repairmen, construction workers, general trades.

[a] Description of programs from 1966 *SEO Codebook* and instructions to enumerators.
[b] Occupations listed are in part from 1966 *SEO Codebook,* and from *Formal Occupational Training of Adult Workers* (U.S. Department of Labor, Manpower/Automation Research Monograph No. 2, 1964).

descriptions of each respondent's specific job training accomplishments, and can be made to represent the total population.[4] Examined were the mobility experiences of persons completing four years of college as well as five types of job training: apprenticeship, business college/technical institute, company, armed forces, and vocational. Table 1 describes each type of noncollege training and gives examples of corresponding occupations.

To measure the distance of mobility, the occupational distribution of two age cohorts was compared: the immediate post-training group, ages 20 to 26 (Age I),[5] and the mid-career groups, ages 30 to 35 (Age

[4] SEO Codebook contains a technical summary of individual weighting techniques.
[5] Age I includes the five years beginning with the most common labor market entry age for each training type using data developed by the Bureau of Labor Statistics, *Occupational Outlook Handbook* (Washington: U.S. Government Printing Office, 1970).

II).[6] To make judgments about the direction as well as the distance of mobility, occupations were ranked into 10 major Census categories on the basis of status, income, and educational level.[7] Table 2 shows the percentage distribution of both age cohorts by occupation and by type of training.

Findings

One measure of gross mobility (the distance traveled between occupational categories) is the sum of the occupational difference between Age I and Age II. As seen in Table 2, the greatest amount of gross mobility occurs among army-trained individuals, a total of 96 unsigned units of difference. Persons with business institute and vocational training also show considerable movement between categories, while college graduates and apprentice-trained persons have relatively stable rankings.

Another index of gross mobility associated with training type is provided by comparing the modal occupational categories (italicized in Table 2) at Ages I and II. For college graduates and apprentice trainees, the two backgrounds having the lowest gross mobility sums, the modal occupational category, professional and craftsmen, respectively, is identical at Ages I and II. For the training background experiencing the highest gross mobility sum, armed forces, the modal occupation at Age II (professionals) is seven categories higher than at Age I (operatives). Likewise, the modal occupations for vocational training at Age II is seven categories higher than at Age I. The technique of comparing modal categories to determine gross mobility should be used with caution, however, since much mobility can be occurring from Age I to Age II without being indicated by changes in the modal categories. Such is the case with business institute training for which the modal categories are identical but the sum of unsigned differences (69) is relatively high.

To determine the direction of mobility more precisely, as well as the distances traveled from Age I to Age II, an index of net mobility was developed. The index was calculated by finding the mean occupational category at Ages I and II. When the signed differences between the mean occupational rankings are examined, it is evident that all training types except apprenticeships are related to some upward mobility. Persons with vocational education moved upward by 2.2 cate-

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[6] By age 35, the most substantial work life mobility has occurred, as measured by changes in interoccupational categories. See *U. S. Census of Population, 1970*, PHC (3)-1, Table 24b.

[7] Peter Blau and Otis Dudley Duncan, *The American Occupational Structure* (New York: John Wiley and Sons, Inc., 1967).

TABLE 2

Percentage Distribution and Summary Statistics on Occupation by Type of Training Completed at Age I and Age II[a]

Occupational Categories	Type of Training												Population Distribution (Independent Estimate)	
	Apprentice		Business/ Technical Institute		Company Training School		Armed Forces Training		Vocational		College			
	I	II	I	II	I	II	I	II	I	II	I	II	I	II
1. Professional, technical, kindred	7%	5%	*46%*	*38%*	7%	22%	16%	35%	17%	*28%*	*46%*	*49%*	5.8%	23.4%
2. Farmers, farm managers			1	10					2	4	1			
3. Managers, officials	2	2	3	8	11	18	2	7	3	18	8	24	3.8	12.4
4. Clerical, kindred			4	6	13	9	12		15	8	10	5	11.6	7.0
5. Sales workers		2	11	3	15	11		6	11	4	16	14	7.3	4.8
6. Craftsmen, foremen	*72*	*76*	9	28	16	*22*	24	*42*	14	25	6	1	12.2	*24.3*
7. Operatives	14	11	9	6	*19*	7	*31*	7	*21*		3		33.8	14.7
8. Service workers	1		16	1	14	11	8		12	11	4	2	6.1	4.3
9. Laborers	3	4			4		6	2	3	1	5	5	13.1	5.3
10. Others													5.6	
Unweighted N	45	61	55	109	86	119	69	81	53	123	92	105		
Gross mobility index	13		69		55		96		77		37		74.3	
Interpolated mean occupational rank (from top)	5.6	5.6	3.0	2.2	5.3	4.1	5.8	5.0	5.2	3.0	2.5	1.1	6.3	5.0
Net mobility	0.0		+0.8		+1.2		+0.8		+2.2		+1.4		+1.3	

[a] Figures in italics refer to modal occupational categories.

gories, college graduates by 1.4, and the entire population by 1.3 categories.

Having established the direction and distance of mobility by type of training, the amount of mobility due to training must be determined. To establish both the occupational position and the mobility accounted for by training, it is necessary to develop some measure of the occupational status and mobility experienced by the population as a whole. The last column in Table 2 compares the occupational distribution of the entire population with that of each training background. One observation is clear—from Age I to Age II the distribution of all trained persons is skewed toward the upper end of the occupational spectrum relative to the entire population. However, the disparity from the population varies markedly for each training background.

Employing a technique adapted from Blau and Duncan,[8] the difference between occupation position of trained persons and the occupation position of the entire population at Ages I and II is measured by dividing each occupational value for any given training background in Table 2 by the corresponding populations value. The resultant figure is referred to here as the "status due to training" ratio since it measures the extent to which the occupational status attained by trained persons surpasses or falls short of what would have occurred by "chance." For example, a value of 1.0 indicates that the observed occupational status is equal to that expected on the assumption of statistical independence. Table 3 shows the occupational "status due to training" ratios at Age I and Age II. All values greater than 1.0, i.e., indicating a positive effect of training on attained occupation, are italicized.

Table 3 yields several observations. At both Ages I and II, training of any kind greatly increases the likelihood of working in certain occupations. Five occupation groups emerge as more likely to be filled by persons with some training—professional, clerical, sales, crafts, and service, where four or more corresponding training backgrounds have ratios greater than 1.0 at Age I. Similarly, certain training backgrounds greatly increase the probability of an individual's being in certain occupational groups: at Age I, college training relates to professional occupations with a ratio of 7.9; business institute to profession, 7.9; company training with managerial, 2.9; technical institute with service, 2.6; and apprenticeship with crafts, 5.9. Conversely, the presence of training greatly reduces the chance of a person being in either operative or laboring positions.

Table 3 also shows a "decay" effect in the relationship between train-

[8] Blau and Duncan, *op. cit.*

TABLE 3

Ratios of Occupational Status Due to Training at Ages I and II by Type of Training[a]

Occupational Categories	Type of Training											
	Appren-tice		Business/ Technical Institute		Company Training School		Armed Forces Training		Voca-tional		College	
	I	II	I	II	I	II	I	II	I	II	I	II
1. Professional, technical, kindred	*1.2*	0.2	*7.9*	*1.6*	*1.2*	0.9	*2.8*	*1.5*	*2.9*	*1.2*	*7.9*	*2.1*
2. Managers, officials	0.5	0.2	0.8	0.6	*2.9*	*1.5*	0.5	0.6	0.8	*1.5*	*2.1*	*1.9*
3. Clerical, kindred			0.3	0.9	*1.1*	*1.2*	*1.0*		*1.3*	*1.1*	0.9	0.7
4. Sales workers		0.4	*1.5*	0.6	*2.1*	*2.3*		*1.3*	*1.5*	0.8	*2.2*	*2.9*
5. Craftsmen, foremen	*5.9*	*3.1*	0.7	*1.1*	*1.3*	0.9	*1.9*	*1.7*	*1.1*	*1.0*	0.5	0.1
6. Operatives	0.4	0.7	0.3	0.4	0.6	0.5	0.9	0.5	0.6		0.1	
7. Service workers	0.2		*2.6*	0.2	*2.3*	*2.6*	*1.3*		*1.9*	*2.6*	0.6	0.5
8. Laborers	0.2	0.8			0.3		0.5	0.4	0.2	0.2	0.4	0.9

[a] Ratios in italics indicate a positive effect of training on occupation attained.

ing and increased probabilities for certain occupations. At Age I, 23 cells contain ratios greater than 1.0 while at Age II, only 18 cells do. This suggests that the effect of training on occupational status diminishes over time. While there is no doubt that training of any kind increases the probability of an individual's being in certain higher status occupational categories, the effect is somewhat stronger in the immediate post-training period than at mid-career. Decreased values in the status due to training ratios are observable for all types of training. The highest values, 7.9 for both college and business institute training with professional occupations, drop to 2.1 and 1.6, respectively, by mid-career. Another example of the decay effect is seen in the diminished importance of apprentice training from Age I, where the probability of a person in the crafts having this training is 5.9 times greater than not having training, while at Age II the probability has decreased to 3.1. In practically all instances the ratios are lower at Age II than at Age I.

Discussion

Four major findings emerge from this research. First, mobility varies greatly from one type of training to another. College graduates and persons with vocational training experienced the greatest amount of upward mobility, while persons with apprenticeship, business school, and armed forces backgrounds experienced the least. This seems to confirm previous expectations that specific skills are tied to one occupation (and often one firm) while general skills permit more interjob/interemployer mobility.[9]

Second, the occupational destinations connected with each type of training differ widely. Certain types of training are connected with certain occupations almost exclusively, such as apprenticeship with craftsmen occupations, whereas business institute and college are connected with a broader spectrum of occupational destinations. Part of the observed difference in rates of mobility is undoubtedly due to different occupational opportunities (or career paths) associated with each type of training.

Third, it is clear that not all types of job training increase an individual's chances for upward occupational mobility. The untrained residual population experienced more occupational mobility from Age I to Age II than persons who completed three specific job training programs—apprenticeships, technical institute, and army training. This difference may also be related to an association between career paths and

[9] Gary S. Becker, *Human Capital* (New York: National Bureau of Economic Research, 1964).

training type; some traditionally lead to and specifically equip persons for long-term commitments to low status jobs.

Finally, the importance of training for occupational status appears to decline over time, as seen when comparing trained persons with the population as a whole. This decay phenomenon is the most interesting finding because it raises several questions about the nature of the mobility process. These emerge in an examination of explanations that have been advanced to account for the decay phenomenon.

One such explanation is that, given an over-educated work force,[10] labor markets work to reward talent and ability, and over time the effects of education "wash out." This explanation, supported mainly by the pure market school of labor economics, holds that markets do not discriminate on the basis of educational qualifications and other "artificial fixes," but on the ability of the individual to produce on the job.

Another explanation is that skills decay over time and, in the face of advancing technology, persons with specific training experience skill obsolescence throughout their work life. This explanation is appealing to some because of the markedly weaker effect of time on the occupational status of college graduates who are assumed to have more general skills and hence to be more adaptable to change.

A third explanation of the diminishing importance of training over time emphasizes individual expertise in working in labor markets. The process of "certification" or "occupational licensing" connected to several training types, e.g., apprenticeship, technical schools, may cause persons so certified to lose their edge in market competition. This argument posits that these workers experience an extraordinary market advantage immediately after training—their certificate of training completion. However, as time passes and their skills deteriorate, these workers may not readjust their evaluation of their attractiveness beyond their first market experience. This notion of dissonance between one's image of his marketability and his actual potential for upward mobility has been previously explored and confirmed in the case of graduate engineers.[11]

A fourth explanation is based on an institutional view of the labor market and is similar to that of the pure market school. It argues that most job training programs are inflexible and thus unable to update curricula with sufficient speed to keep even newly graduated individuals current and competitive in labor markets. Given the dated nature of

[10] While the concept of an over-educated work force is controversial to be sure, the case is argued convincingly by Ivar Berg, *Education and Jobs: The Great Training Robbery* (New York: Praeger Publishers, 1970).

[11] Fred H. Goldner and R. R. Ritte, "Professionalization as Career Immobility," *American Journal of Sociology* 72 (March 1967), pp. 489–502.

the skills of newly certified individuals, it is only a matter of time before the market filters out persons who have obtained more current skills through on-the-job training or other education.

Finally, the observed decaying phenomenon raises the issue of the individual's incentives in the labor market. It has been proposed elsewhere that in addition to the market in which individuals attempt to maximize income, there is a simultaneously operating market for educational opportunities connected to jobs.[12] Accordingly, an individual weighs future jobs and actual offers not only with an eye to income, but also in terms of potential opportunities for education. Implicit in this argument is that market-recognized skills linked to job mobility are acquired continuously throughout one's work life and that while formal training is helpful at entry, its effects decrease with time.

[12] Sherwin Rosen, "Learning and Experience in the Labor Market, *Journal of Human Resources* 7 (Summer 1972), pp. 489–491.

Triple Jeopardy in Bargaining by Canadian Fishermen and American Implications

CHARLES STEINBERG
Dalhousie University

When Canadian fishermen bargain collectively they face three legal hazards. Two of these problems are essentially resolved for American fishermen. One of the issues, however—uncertain bargaining rights for the entrepreneurs ("Independent Fishermen" hereafter)—remains as a threat even on the American side of the border and has important implications for many other kinds of shoreside "Independents" as well.

This paper[1] contends that the legal precedents which have until so recently discouraged positive Canadian legislation, and which could still invalidate fresh legislative efforts, are based on an outdated view of the economic relations of fishermen and fish buyers. The following therefore briefly examines the economic underpinnings of the Canadian fishermen's right to bargain, with special reference to Nova Scotia and Atlantic Canada, and to the implications for American fishermen.

The Legal Issues

The crux of the first problem is that Canadian fishermen who have no equity in a fishing vessel are held by the courts to be "coadventurers": limited partners with the vessel owners in the fishing enterprise because these fishermen are customarily paid by share of the catch proceeds. Since such "Sharesmen" (so-called hereafter) are not considered employees, they were denied access to collective bargaining law except in recent, limited, and untested legislation noted below.

The second issue is that the boatowner-fishermen (Independents), are held to be entrepreneurs, and on these grounds are also excluded from bargaining law. Moreover, when collective bargaining is arranged by mutual consent[2] between Independent Fishermen and fish buyers (outside the law), the bargainers are generally subject to anti-combines statutes which exempt labor but define fish as an article of commerce.[3]

[1] The source of this review is Charles Steinberg, "Collective Bargaining Rights in the Canadian Sea Fisheries: A Case Study of Nova Scotia" Ph.D. dissertation, Columbia University; 1973. I want also to acknowledge gratefully a Canada Department of Labor contract which resulted in the preliminary study, *Industrial Relations In The Nova Scotia Fisheries*. The Department of Labor, of course, bears no responsibility whatever for my data, analysis, or conclusions.

[2] That is, as an outcome of bitter economic struggle.

[3] There is a possible untested exception in British Columbia.

If a complaint is sustained by the courts, the fishermen are held in restraint of trade.

Even unions of Sharesmen (both American and Canadian) are liable on the same anti-combines grounds (antitrust in the U.S.) when negotiations concern the price of fish (a critical earnings variable) rather than the share itself, or other conditions of employment. Thus, regardless of their property rights in the enterprise, Canadian fishermen's efforts to unionize and bargain are doubly jeopardized, first by shaky bargaining rights, and then by contradictory anti-combines law. While the American Sharesmen's right to bargain is fairly well secured, the anti-trust restrictions remain for both Independents and Sharesmen, much as in Canada.

The third pitfall concern Canadians only. It is the unresolved constitutional question as to whether it is the federal or the several provincial governments that have jurisdiction over collective bargaining by fishermen.

The Background

Despite the bargaining handicaps, fishermen tried to ease their economic problems through collective bargaining just as other North American workers did prior to the labor legislation of the 1930s.

Canadian fishermen have bargained with processors and canners in British Columbia for some 75 years,[4] but essentially without British Columbia labor law coverage in tension-ridden, unstable relations.[5] Canadian East Coast fishermen did not fare as well. The first "voluntary" contract appeared in Nova Scotia in July 1969,[6] despite bitter strikes since the thirties. The other East Coast province fishermen had equally difficult times in attempting to bargain. Not until March 19, 1971, did Nova Scotia enact permission for Sharesmen to bargain under the Nova Scotia Trade Union Act.[7] Newfoundland followed suit June 2, 1971.[8] The federal government did so on March 1, 1973, but its bill gave

[4] Stuart Jamieson and Percy Gladstone, "Unionism In The Fishing Industry of British Columbia," *Canadian Journal of Economics and Political Science* 16 (February 1950), and their companion article, "Unionism in the Fishing Industry of British Columbia," *Canadian Journal of Economics and Political Science* 16 (May 1950), pp. 146–171.

[5] John D. Boyd, *The Industrial Relations System of the Fishing Industry,* Project #55 (s), Draft Study, Task Force on Labor Relations, Privy Council Office, Nov. 1968.

[6] *Collective Agreement Between National Sea Products Ltd. and Local 606c Canadian Brotherhood of Railway and General Workers,* Canadian Labour Congress, Halifax, N.S., July 24, 1969.

[7] An act to amend C.311 of the revised statutes the Nova Scotia Trade Union Act, Bill No. 11, Spring Session, 1971.

[8] The Fishing Industry (Collective Bargaining) Act, S.Nfld., 1971, No. 53, though there was at first some doubt as to its status.

the same Sharesmen just covered by the provinces bargaining rights under the Canada Labour Act.[9] British Columbia, with vast fisheries, and active unions still has no such act.

This recent legislation encouraged some bargaining in the East Coast provinces, but the three massive legal obstacles remain a threat that becomes real whenever the employers challenge in the courts: the voluntary relationship; or the new legislation; or attack under Anti-Combines Statutes; or raise the Constitutional issue. All four actions were employed successfully in the past.[10]

Economic and Technological Change in the Canadian East Coast Fisheries

The Atlantic offshore fisheries were wholly transformed since World War II. We trace briefly the effects on Nova Scotia and Atlantic Canada.

Depression of fish prices (and therefore fishing incomes) by the mid-1920s lasted through the thirties.[11] Accompanied by a demand shift from salt to fresh and fresh processed fish, and by increasing competition in Canada's major U.S. market outlets, these forces eventually brought profound changes in vessel power, speed, and fish catching ability; great increases in complementary onshore freezing, holding, and processing facilities; and modernization of ancillary transportation. Atlantic Canada (a quarter-century later than New England) launched a technological race against the twin problems of fish spoilage and economic competition.

Fishing Methods and Vessels.

From 1881 to World War II, longlining from schooner-borne dories was the major method of offshore groundfishing because inshore and offshore hook and line fishermen resisted otter trawling (dragging huge bagnets astern).[12] Wartime needs broke the impasse, and a major shipbuilding subsidy program of over $83.5 million, not counting loans and indirect subsidies, produced a new Canadian East Coast fleet of large, processor-owned steel and wooden side and stern otter trawlers—vessels

[9] An Act to amend the Canada Labour Code, S.C. 1972, C.18.

[10] Twelve British Columbia fishing firms have asked the federal courts to forbid the Canada Labour Relations Board from certifying the United Fishermen and Allied Workers' Union as bargaining agent for British Columbia fishermen on grounds, *inter alia*, that the Act is *ultra vires* the parliament of Canada, *The Halifax Mail Star*, August 31, 1973, p. 2.

[11] See *Report of the Royal Commission Investigating the Fisheries of the Maritime Provinces and the Magdalen Islands*, (Ottawa: Kings Printer, 1928); and *Report on the Canadian Atlantic Sea Fishery*, Royal Commission on Provincial Development and Rehabilitation, (Stewart Bates, Halifax, N.S.: King's Printer, 1944).

[12] The point of the 1928 Royal Commission *Supra* was to investigate this problem, and it recommended a restriction of otter trawling which held until 1942.

often over 900 gross tons with price tags to $2½ million. The industry changed from an inshore to a major offshore fishery dominated by the large trawlers.[13]

Effects of Technical Change on Output and Landed Values.

The outcome: Catch increased so sharply that a single linear regression equation could not be fitted to the Nova Scotia (1945–1970) data on landings or landed values. The slope coefficients for the years 1960–1970 (after conversion) are at least *five times greater* than those for the years 1945–1959. The inshore to offshore landings and values shift is equally pronounced. Statistical analysis of the proportional changes in landings, landed values, and in both per fisherman (inshore were compared with offshore data for the years 1919, 1949, 1969) supports this view.[14]

In short, inshore were 57 percent and offshore 43 percent of 1919 total landings. These proportions held to within 1 percent (56 percent and 44 percent) until 1949. But by 1969, inshore landed volume had fallen to 27 percent of the total as against 73 percent offshore. Landings in pounds per fisherman give corresponding evidence of the great change in the two fisheries relative output.[15] These Nova Scotia summary data reflect the general trend for Atlantic Canada.

The Effect on Fishermen's Status.

The new offshore fleet also created a corps of "proletarian" fishermen with no capital stake (or hope of it) in the vessel, who work for the processor as hired hands, but who are still paid by a system left over from the days of fishing on vessel shares. Thus, the notion that the vessel owners were selling the catch "for the account of all" and that fishermen therefore share with owners the "hope of profit and the risk of loss" in a joint-venture persists in Canada as a legal anachronism.

[13] In all, 240 of the 266 steel and wooden vessels constructed throughout Canada under the program were built for the Atlantic fleet; 232 of the 240 (all but eight longliners) were otter trawlers and draggers (small wooden otter trawlers). The three trawlers that weathered the governmental restrictions (1930–1942) increased to 11 by 1946, but by 1966, the Atlantic offshore fleet had 397 otter trawlers: 166 (over 41 percent) were over 100 gross tons; 85 percent were built after 1952; 67 percent were less than nine years old, and 42 percent were under five years old.

[14] Of the 134 percent overall increase in total landings from 1919–1969, only 17 percent occurred between 1919 and 1949, while 99 percent was between 1949 and 1969. But the inshore share of the increase was only 11 percent: 15 percent to 1949, and −3.4 percent between 1949 and 1969. Offshore landings conversely increased 295 percent overall, and inversely by period to inshore landings: 21 percent up to 1949, and 227 percent from 1949 to 1969.

[15] Of the 139 percent increase in inshore landings per man, only 27 percent was gained 1949–69. 288 percent of the overall 423 percent increase in offshore landings per man occurred 1949–69.

How valid is this legal position? Integration of the modern offshore fleet with processing would make the coadventurers doctrine untenable. Without an auction market (as in New England, except perhaps in the limited "blind hail" auction for halibut) or collective bargaining, the vessel owner sets landings level fish prices and then "buys" his own fish from his own vessels as raw material for his processing and wholesaling operations. The processor-owners' influence over fish prices subverts the concept of the share system as a partnership. Conflict of interest between owner and fishermen, e.g., the very basis of labor law, is evident since the fish price is income to the fishermen and a raw material cost to the vessel owner's processing plant.

Second, the Sharesmen's terms of employment are entirely those of "master and servant"; the common law tests for an employer-employee relationship hold. Control of vessel and crew is entirely by captain and owner in all matters. Employment is by verbal agreement under the customary share arrangements (even when these are subsumed in union contracts). Share proportions clearly cover the owners' *fixed* as well as variable fishing costs.[16]

For the processor-vessel owner then, the landings level market for offshore fish is also the labor market for his crews. Given the share system, however, the Canadian courts approached fishermen's employment status through partnership law,[17] despite overwhelming economic evidence to the contrary.

The courts' conception of a joint venture is certainly not a very profitable one for the offshore fishermen, 75 percent or more of whom are deckhands or fishhold workers with average net earnings for Atlantic Canada a bit over $5,000 for an average 5,000 hours at sea per year, earned under often hazardous and certainly uncomfortable conditions.

Market Structure and Bargaining Status: The Independents.

Capital concentration in large trawler fleets and in corollary processing and wholesaling of fish inevitably yielded concentration of market power in the largest processors. Oligopsony stabilized by strong price leadership accurately describes the primary fish markets of Nova Scotia and Atlantic Canada for the Independents as well as the Sharesmen.

Using Nova Scotia again, the market structure is classic: one very large processor, integrated vertically into the secondary markets; five

[16] The Nova Scotia groundfish lay is 37 percent of gross stock to the crew and 63 percent to the owners.

[17] Were the Canadian courts to follow marine rather than partnership law, the notion of the seamen's whaler's, fishermen's "share" as a form of wage payment would be clearly established by old and strong precedent.

large firms each with less than a third the output of the giant; and eight more with a quarter or less that of the second-tier firms. These 14 together, out of 218 processors, accounted for all but a fractional percent of the Nova Scotia groundfish exports. Ease of entry and difficulty of exit sustain the structure of many very small firms and few large ones.

Vessel ownership patterns, too, reinforce market power. Fifty-four percent of all offshore vessels and all vessels over 100 gross tons are processor-owned outright. Processors "buy" their own fish. Another 29 percent are owned by fishermen in private joint stock companies floated with processor equity. These fishermen sell to the invested processors as *quid pro quo*. The financial independence of the remaining 17 percent of the offshore fleet (mainly small vessels) is thought to be more nominal than real in most instances.

The Independents then, are also "enthralled." The isolation and relative immobility of these inshore fishermen in Atlantic Canada helps extend the major processors' price-making power from the large fishing centres to the small outports. Here processors similarly extend capital for, and directly invest in the Independent Fishermen's boats. Processors and buyers customarily also lend working capital and provide critical services to the boat-owners, again, with sales agreements as *quid pro quo*. The prices set by the largest firm to its own trawlers form the base for the entire landings level price structure in groundfish. The Marshallian "very short run" in which the Independent Fishermen must sell (without adequate freezing and holding capacity) completes the picture. "Dependent Contractors"[18] rather than "Independent Fishermen" is a far more accurate designation for the market position of Atlantic Canada's small-boat owners.

The Canadian Legal Remedy.

It is clear that fishermen traditionally seek collective bargaining with processors as a solution to their weak market position, and that bilateralization of both the labor market for Sharesmen and the Independent Fishermen's primary markets for raw fish seems a very reasonable remedy in view of the lop-sided bargaining power favouring the processors. If one sets aside the question of whether the federal or provincial governments should legislate the collective bargaining rights of Canadian fishermen, the legislative solution is clear. Sharesmen should be defined unequivocally as "employees" and included in the appropriate trade union act. Independent Fishermen could then be

[18] The source of this term is the excellent, H.W. Arthurs, "The Dependent Contractor: A Study of the Legal Problems of Countervailing Power," *University of Toronto Law Journal* 16, No. 1 (1965).

defined as "Dependent Contractors" and also included. To make these acts effective, the anti-combines statutes must be amended to free bargaining over fish prices by fishermen from restraint of trade injunction.

Some American Implications.

As suggested above, American fishermen have long run afoul of the antitrust statutes. Numerous cases have held that no fishermen may bargain over fish prices free of injunction even if their bargaining rights on other matters are established, as are those of the American Sharesmen.[19] Yet, fish prices loom too large as an earnings variable to be eliminated as a bargainable item as long as the share system holds.

As for the Independents, not only are they encumbered by the antitrust provisions (since their "voluntary" bargaining is almost entirely over fish prices), but their very right to bargain has been consistently denied by the courts. The issues are almost identical to those in the Canadian setting. Nevertheless, American Independents continue to bargain collectively, though under jeopardy, and the problems periodically erupt.

Underlying fishermen's bargaining rights in this analysis is the thought that there is a relationship between market structure and bargaining power that can perhaps be formalized as an index of the "right-to-bargain" in that gray area concerning the rights of so many shoreside "Independents"; loggers and pulp cutters, some miners, taxi and truck driver-owners, and musicians, among others, are examples. The fishermen's analysis suggests that there is a more general case for collective bargaining that rests on market structure, rather than entirely on the traditional control and association tests that have most frequently provided criteria for the right to bargain in the American courts.

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[19] *Commonwealth of Mass.* v. *McHugh* (Mass. 1947) Super. Ct. Suffolk Co., 13 L.C. ¶ 64,031; and *Columbia Rivers Packers* v. *Hinton,* L.C. ¶ 60,071 34 F. Supp. 970 (D.C. Ore., 1939) are examples.

DISCUSSION

HERBERT E. STRINER
The American University

In the paper written by Kochan, Lipsky, and Dyer on collective bargaining and the quality of work, a valuable contribution has been made to the growing literature on the subject. It helps us to move away from gut level evaluations of the question of quality of work toward a more analytical approach to the issue.

When one tries to determine which issues collective bargaining seems to be able to deal with most effectively, there must be a historical perspective. Collective bargaining can only be analyzed in the context of the labor movement, the growing ability to exert leverage on various employers on specific issues, and an understanding of changing trends regarding issues on which bargaining performs most effectively. But unless one is careful, one can very easily become trapped in a form of circular reasoning. Since collective bargaining has developed historically to deal with certain issues, based on not only the assumed values of the workers but also the assumed ability of unions through time to deal with issues, it is very easy to feel now that collective bargaining can deal only with the issues with which it has dealt effectively as contrasted with newer issues with which it cannot deal equally effectively. Obviously the ability to exert pressure through the collective bargaining process depends not only on the workers' perception of what is important, but also on their perception of what they have been able to succeed in dealing with through the collective bargaining process. The Kochan-Lipsky-Dyer paper bases conclusions on a sample of workers.

But the real problem is not the question of whether a sample of workers sees the collective bargaining procedure as being an effective device for dealing with the quality of work issues, but which workers tend to see quality of work as an important issue, and which workers tend to see the possibilities of collective bargaining becoming an instrument for affecting quality of work.

The sample of 221 persons enrolled in the Cornell Labor Studies program is sufficient for certain types of results, but not sufficient for others. For example, the percentage of the sample under age 25 was only about 2 percent. This may be extremely low, if we accept the thesis of the current school which contends that quality of work has become an increasingly important factor to employers. This group feels that it is the *younger* worker who would want to use the leverage of unions

in changing the quality and conditions of work. Even if we look at the ages under 34, in the paper, only approximately 30 percent of the entire sample would be found in this category. I would expect that an analysis by age groupings might show very different reactions, in terms of the order of priority which workers would assign to the various issues, in the paper by Kochan, Lipsky, and Dyer.

Older workers tend to have been able to work out some of the quality of work problems or adjusted to them, or they have been able to deal with the problem through formal as well as informal relationships with first-line supervisors or management. Younger workers probably have not, and to them this issue may be a more compelling one.

A further breakdown, which I think will be necessary if we pursue this type of research, is to distinguish between different types of jobs and industries. Obviously, quality of work can be a far more crucial factor in some types of jobs or industries than in others. I would assume that in a highly unionized industry, such as glove-making, the older age of the workers, the craft associated with their product, and the peculiar cooperative relationship between the employers and employees would create a very different sense of quality of work as a problem, than amongst younger workers who may be working in the noisy, cluttered, and difficult work environment of an assembly-line situation.

These types of distinctions are not made in this particular paper. I do not mean to be overly critical, because I believe the paper is an important first step. Rather, I seek to be constructively suggestive regarding directions in which future studies of this type might go. One of the very interesting points raised by the authors is that the literature suggests that quality of work issues are seen as integrative, that is, where labor and management are fairly close together on issues, in terms of having the same sense of importance and a cooperative approach in dealing with the problem. This is contrasted with traditional collective bargaining issues which are termed distributive, that is, where unions and the management come at the issues from very different and competitive perspectives. I would have assumed just the reverse, and the sample in the paper confirms this. I would have assumed that traditional issues have by now become well understood by both partners in the collective bargaining procedure, and they have been able to work out a solution without excessive conflict.

Arriving at a suitable conclusion regarding the quality of work issue as a good item for the collective bargaining procedure is difficult. There is no history of collective bargaining in this area or even a collective agreement on what the problems are. They would have to be seen as still murky issues which would be defined very differently from

the labor and management side. This would certainly be the case in an issue such as productivity, control of work, or job content.

I would venture that the reason that bread-and-butter issues tend to be seen as more integrated grows out of the fact that in many instances the collective bargaining procedures now travel well-defined, routine ways, and the results are ones which can typically be passed along to an ultimate consumer. Whether this is good or bad, of course, depends on whose ox is being gored.

I think that this is probably a part of the conclusion which has been reached in this paper. The authors state that, "Perhaps experience has taught them that conflicts on traditional issues can normally be resolved peacefully and amicably. Thus, these issues may be no longer threatening, either personally or institutionally, and the impact of their resolutions may be seen as fairly predictable. On the other hand, quality of work issues—productivity, control of work, interest in work, etc.—are topics that generally have not been handled directly at the bargaining table."

I would now like to turn to the paper on "Education, Job Training, and the Process of Occupational Mobility" by Carl Schramm. As he states, literature on the occupational mobility of persons with various job-specific training backgrounds is nearly nonexistent. Some work has been done in West Germany on occupational and income changes resulting from training under their recurrent education program. This literature has just begun to become available.

Economists generally have been content to measure changes in income connected to education and training and have really added little to any understanding of occupational mobility which may or may not be a correlate to specific training and education.

Schramm addresses himself to the questions: What is the work experience of persons with specific job training? How does it compare to the mobility experienced by persons with more general training such as college completion? Does specific job training increase a person's chances of upward mobility? And what are the long-term effects on differential mobility attributable to job specific training? The data he used in an attempt to deal with these questions were the result of the 1967 Survey of Economic Opportunity data. The SEO was compiled as a component of the Current Population Survey. It represented a detailed survey of low-income households.

Through the technique of assigned individual person weights, the data were made to represent the total population, and their educational specifications were used in this way previously. The measure of occupational mobility used is the distance from one occupational level to

another within a given time frame. To measure distance, the occupational distribution of two age groups was compared. The first was the threshold employment group, with post-training ages of 20 to 25, and the second was the mid-career group, ages 30 to 35. To make judgments concerning the direction of mobility as well as the distance, occupations were grouped into 10 categories on the basis of status, income, and educational level. The types of training were those in armed forces training programs, vocational training, a company-school training program, the business college or technical institute program, and finally the apprentice program.

I consider Schramm's paper as an important research contribution concerning the role of education and training in maintaining an up-to-date labor force as well as providing the means for continued mobility within the labor force. Though he does not deal with it specifically, implications of his results for the development of continuing or recurrent education programs, as a major part of our manpower policy, are crucial.

In essence, Schramm's evidence supports the logic of the massive retraining and recurrent education programs now being carried on in western Europe and which have been made a part of their overall manpower policy in an effort to provide the basis for relating training and education to such factors as career mobility, productivity, and low-levels of unemployment.

To begin with, his data indicate that all training produces an increase in upward mobility from age 1 to age 2, except for persons with apprentice training. I might say, parenthetically, that in the case of apprenticeship training there may very well be a trade-off of "guaranteed" job security for less upward mobility. A good research question would be to determine where such a trade-off has been made consciously and where it has not. Socioeconomic characteristics of the various types of apprentice populations and their concern for upward mobility as opposed to a "stable" work situation would be, to my thinking, a most interesting follow-on to this paper by Professor Schramm. His data also provide statistical evidence for the fact that training as a means of affecting occupational status diminishes over time. It appears that training of any kind increases the probability of an individual's being in certain higher status occupational categories, but it is also obvious that the effect is somewhat stronger in the immediate post-training period than at a mid-career point. This is undoubtedly one of the strongest arguments for a continuing effort to develop a recurrent or continuing education policy, with training funds as well as stipends, for individuals throughout their work lifetimes. In addition, it would appear from Schramm's data,

that those individuals who had training which also incorporates a good deal of what might be called general studies tend to have the greatest amount of upward mobility. Those individuals whose training is highly job-specific tend to have the lowest degree of upward mobility. For example, those individuals coming from apprenticeship, business school, and armed forces backgrounds experience the least *upward* mobility. This is distinct from mobility per se. For example, the army-trained individual may have a great deal of mobility, but it may not be in an upward direction as opposed to the mobility of an individual with a college background or good vocational background, where high mobility may be coupled with upward mobility.

Indeed, interestingly, part of the resulting data indicate that not all job training increases an individual's chances for upward occupational mobility even though there may be mobility between jobs of the same occupational type. For example, Schramm indicates that his results point to the fact that the untrained residual population experiences more occupational mobility at age 1 to age 2 than persons who completed specific job-training programs, to wit: technical institutes and army training. These types of training may traditionally lead to, and specifically equip persons for, long-term commitments to lower status jobs. Schramm couples this observation with a further observation that a distinct decay phenomenon is observed in the importance of training through occupational status age 1 to age 2, when trained persons were compared to the population as a whole.

He feels that this is the most interesting aspect of his findings, because in attempting to explain the declining importance of training to occupational status over time, several questions about the mobility process itself were raised. One explanation which is given is that "given an over-educated work force," the labor market institutions work to reward talent and ability, and over time the effects of education "wash out."

I would tend to accept, as being probably more valid, a second explanation that over time, skills decay, and that individuals trained in earlier ages with specific skills find that these skills obsolesce throughout their work life in the face of advancing technology. However, I would venture that there is an additional factor which should have been taken into account and, in the event of further research, must be taken into account. This relates to level of income and the assumed ability of individuals at the middle and higher income levels to be able to remove themselves periodically from the labor force in order to upgrade their skills. Those individuals who have college backgrounds are also probably going to have income levels as well as a sophisticated sense of the need for the training which provides the stimulus and the ability to reenter

a training program. A third explanation which focuses on credentialing as first helping the worker and then crippling his mobility because he no longer can move competitively outside of the special field is also of great interest.

Finally, in this sort of analysis a measurement of the frequency of reentry into a training program is essential in determining the relationship between training per se and upward mobility. I would imagine that the multiple reentrant has a significantly different degree of upward mobility than the one-time reentrant.

In the fascinating paper by Charles Steinberg, "Triple Jeopardy in Bargaining by Canadian Fishermen and American Implications," I find little to comment on. The major reason for this, of course, is that I have no familiarity with the nature of the Canadian and American fishing industry. Based upon this particular paper, I am shocked at the tardiness with which collective bargaining procedures have been made available or are, hopefully, in the process of being made available to the fishermen who are confronted by monopsonistic situations either on the part of the fishing fleet owners or by the processors, or by both. It would appear that the remedies suggested by Professor Steinberg are reasonable and certainly have precedence in terms of U.S. law at any rate.

The freedom from a restraint-of-trade injunction on the part of fishermen has ample precedence under various U.S. laws, going all the way from the Clayton Act to the Webb-Pomerence Act. It seems entirely reasonable that the sharesmen should be defined as employees and included in an appropriate trade union agreement.

I doubt that this sort of an anachronistic situation can go on very much longer. But I would certainly think that any steps that can be taken to hasten the legislative and judicial changes called for would be highly desirable both on the part of the Canadian and the American fishermen directly involved, especially the sharesmen who in reality are employees in every essential sense. Perhaps the most suitable time for a concerted, though obviously informal, action on the part of those who are most afflicted by this situation would be one which results in large catches of fish lingering overly long at the docks during the anticipated increase of beef prices next spring and summer.

The paper by Helmick and Metzen on "Adjustments in Employment, Earnings, and Family Size, as Potential Paths Out of Poverty" presents quite graphically that of the four alternative paths out of poverty which are posited by this paper, guaranteeing a legal minimum wage for family wage-earners provides "no way" for attaining an adequate income. In addition, even if amongst those families where there is partial underemployment and where every member of the family is not working up to

the fullest potential, if they are provided full employment at the minimum wage level, the increase in family income is still inadequate to move a large percentage of the families living with less than adequate income into the adequate income range—although filling the employment gap between the expected and the observed hours with employment at the minimum wage level does help. If we are really concerned with moving a substantial majority of the families with less than adequate incomes into an adequate income category, we really have to face up to the problems of education, training, size of family, and other nonemployment or job factors.

If this paper is read in concert with the paper by Schramm, then the basic answer one must arrive at is that we are not going to be able to move individuals out of the poverty category by minor adjustment of the wage rates which they receive or even by increasing their hours of employment up to the maximum permitted under law. To achieve a decent family living standard, we must increase their ability to obtain higher skilled jobs with really adequate hourly wage rates as well as the types of higher skilled jobs which provide the basis for fairly continuous sources of employment. The only way to move in this direction is to provide the basis for these individuals to compete for the better jobs in this society rather than remaining fully, or almost fully, employed working poor.

The chief value of this study is to support the thesis that even when we make necessary adjustments to increase subminimum wages to the minimum for all hours worked, as well as filling the gap between expected and observed hours with employment at the minimum wage level, these measures have a very limited impact on moving substantial numbers of families to an adequate income level. The suggestion by the authors that we must look not only to wage levels but to other factors in the work environment is of special significance. As an example, in the case of mothers who are taking training to obtain higher jobs, adequacy of child care services is essential. Some studies have indicated that because of inadequate child care facilities, the WIN program could never really provide the basis for large enough numbers of nonworking mothers with small children at home to take the offered training under the program.

Transportation, again, is a crucial item affecting family income for those who are working in low skilled jobs, or who have higher skills but do not have the means of traveling to distant points where the higher skilled jobs would be available to them. All of this supports a point which has been made over and over again. In order to deal with the problem of those families having inadequate income levels, we have to

understand that the problem is in the nature of a social simultaneous equation. We cannot deal with the problem merely by looking at one or two limited factors, important though they may be. We really have to solve for a much larger equation, simultaneously taking into account, wage rates, availability of jobs, training, and educational programs which upgrade the capacity of individuals to hold better jobs, and a whole host of nonjob factors which infringe importantly on the ability of families to obtain and hold *better* paying jobs.

VII. EMPLOYMENT AND TRAINING—SURVEY OF CETA'S FIRST YEAR

A Year of CETA—Observations of a Library of Congressman

ROBERT M. GUTTMAN
Library of Congress

I. Introduction

The fears of increasing unemployment that were current at the time CETA was enacted have been converted into reality, and it is generally conceded that current rates of unemployment are only a portent of the future. The congressional reaction to CETA's first year was, essentially, an exploration of the Act's adaptability to high unemployment conditions. Other issues, particularly the maintenance of certain categorical programs such as OIC and SER have arisen, but any account of Congress's reaction to CETA's first year must focus on the question of how the Act can be used to combat unemployment or—to make what would by many be considered a paraphrase—how to increase the scope of public service employment programs.

A bill to trigger in additional public service employment funds when economic conditions warrant it was introduced by Senator Javits almost before printed copies of CETA were available. Widespread support for this "Emergency Energy Employment Assistance Act of 1974" did not develop at the time, probably because the projected effects of the energy crisis did not live up to the more dire predictions. The question of substantial additional funding for public service employment reached major public prominence only when Arthur Burns, a radical in no one's prospectus, testified in support of a $4 billion program before the Joint Economic Committee in August. Added to the prestigious views of Dr. Burns was a near unanimity in support of public service employment programs among participants in the plethora of economic summitry that highlighted the beginning of fall, and a

• The author is a Specialist in Social Legislation, Congressional Research Service. He gives thanks to his daughter for inventing a more descriptive, and euphonious, job title.

continuing expansion of congressional support was indicated by bill introductions, co-sponsorships, and favorable statements.

There developed a rather broad consensus of opinion that government funding of additional jobs is both the most rapid, and least costly, way of reducing unemployment. This was argued both because a much larger portion of the government expenditures go into wages for the unemployed and because the cost is substantially offset by reductions in transfer payments and increased tax receipts. The very generally favorable assessments of the Emergency Employment Act experience were also cited in support of such a program.

The argument against such a program, most succinctly stated by Milton Friedman, was that it will not, in fact, increase total employment; that if the program is funded from increased revenues it will either just substitute federal for state and local government funds or else take funds from the private sector and put them into the public. If the program is financed from a true addition to net expenditures, i.e., by an increase in deficit, then it will merely increase the rate of inflation, and it would be better to ease up on other anti-inflationary policies which are causing the unemployment in the first place.

The opposition views received rather little echo in congressional debate or discussion. Doubts about expansion of the public service employment program were phrased, not in terms of theoretical objections, but rather in doubts as to how fast a program could be funded and, somewhat less explicitly, whether federal funds might not just be used to substitute for state and local funds or, even, be used for political advantage by state and local political incumbents.

II. The Funding of Public Service Employment Programs

Two appropriations bills carrying public service employment funds under CETA passed the Congress before additional public service legislation received serious consideration. Their history shows the strong constituency that such funds have. The basic manpower appropriation for fiscal year 1974 was carried in the second supplemental for that year due to the fact that CETA was not enacted until well after the regular Labor-HEW Appropriation Act was passed. The Administration requested $250 million, all under Title II, for public service employment programs; the House committee added $100 million (under section 3 permitting continued funding of the Emergency Employment Act for FY 1974) and that $100 million was raised to $250 million on the House floor. The Senate committee raised both the $250 million for Title II and the $250 million for EEA to $412.5 million and the Conference Report carried a total of $620 million for public service em-

ployment: $370 million for Title II and $250 million for EEA.

The story on the regular appropriation bill for 1975 is similar, in that it carries substantial increases over the Administration request for public service employment funds. But some interesting differences also emerge. The House committee voted $350 million, the amount of the Administration request, for Title II. An additional $300 million for public service employment was again added on the House floor, but this time the amounts were under Title I. The Senate added $50 million to Title II and retained approximately half of the addition for public service employment in Title I. The Conference Report, retains $400 million for Title II and $280 million (according to Congressman Flood) for Title I public service employment programs.

The significant fact is that under both these appropriations bills, public service employment funds were substantially increased both over the Administration's request and over the recommendation of at least one of the appropriations committees. But it must also be noted that these increases were not targeted into areas of high unemployment under Title II of CETA but, instead, were distributed under either the EEA or the Title I formula which carry money for *all* areas. The substantive decision made in the enactment of CETA, that there be a special public employment program for areas of high unemployment, has not appeared particularly persuasive during the appropriation process.

III. Why Legislation?

As the history of the appropriations bills shows, it is possible to increase the funding for public service employment programs through the appropriations process. CETA has open-ended authorizations under both Title I and Title II so it could be argued—and a few lonely voices have argued—that no additional legislation is necessary to respond to higher unemployment rates. The appropriations process is fast and it provides money for a program that Congress passed after four years of deliberation—a program that is bipartisan and was enacted with Administration support, even enthusiasms. It can even be pointed out that we have faced unexpected crises in the past and have met them with increased appropriations under open-ended authorizations. The chief case in point is the reaction to the launching of the Sputniks in Fall 1957 when the National Science Foundation appropriation increased from $40 million to $136 million in one year.

Despite these arguments, the proponents of the need for legislation have carried the day. First, there was a belief that there is a limit to

the amount of increases that can be achieved through the appropriations process without new legislation.

More substantively it was argued that new legislation is required because the fund distribution formula presently contained in Title I and Title II of CETA are not appropriate for the distribution of funds for a nationally mandated response to high unemployment. The fund distribution formula of Title I of CETA contains what is, in effect, a rolling "hold-harmless" provision designed to prevent large fluctuations of the sums going into a community from one year to another. Such a "hold-harmless" factor has no place in the distribution of funds to launch a new program in response to changes in unemployment. Title II of CETA distributes funds only to areas with an unemployment rate in excess of 6.5 percent. Such narrow targeting may be appropriate when it applies to a one-fourth or even one-half of all manpower funds, but it becomes less supportable for a program of the relative magnitude of that contemplated by the new proposals.

IV. What Kind of Legislation?

All the major proposals for increasing public service employment, except for the Administration's, were amendments to CETA and used the provisions of Title II to govern the substance of the program. The differences among the proposals center on the amount and conditions of funding and the distribution of funds. Only the Administration's bill provided for an entirely new program with new eligibility requirements.

Most of the proposals use the "trigger" approach, i.e., they make the level of funding dependent on the level of unemployment. This was, of course, the approach of section 5 of the EEA; recent proposals vary only in that they do not have just a single "on" trigger, but they specify a series of additional amounts at higher rates of unemployment. This trigger approach is attractive because it appears to relate the size of the program directly to the extent of unemployment—thus making the program appear impeccably anticyclical. Though the trigger concept has very serious built-in difficulties, these are of importance *only* if the trigger is not already "on" when the legislation is enacted or, to be precise, when the appropriation is considered. In view of the popularity of the trigger (it is contained, in one form or another, in the Administration's bill as well as the Nelson, Javits, and Daniel bills), a brief look at the conceptual difficulties is in order.

What does the trigger trigger? If it is an authorization of appropriation, the Appropriation committee could not act until the conditions are met; thus the automatic response to higher unemployment that is

its chief attraction is lost. None of the bills uses the trigger that way; instead the trigger is used to make an already enacted appropriation available for obligation. In essence, this means the Appropriations committees are asked to vote funds which cannot be used until specified future conditions are met, and they are asked to do that at a time when programs that could use additional funds immediately are being cut back in pursuit of budget cutting and inflation fighting. It seems clear that triggers will work best if they come "on" early, and it may not be accidental that all the proposals (except the Administration's) used a trigger figure that was likely to be reached before enactment of the legislation.

More critical, at least in a practical sense, than the level and conditions for funding, is the issue of how the funds are to be distributed. The basic argument for new legislation, rather than additional funding for CETA, is the need for a different distribution formula. It seems clear from the appropriations history that the targeting of funds exclusively into areas of high unemployment is not politically viable; the issue then resolves itself into the question whether the severity of unemployment should receive any weight, and if so, how much. The basic difference between the Daniels bill in the House and the Nelson bill in the Senate is that the former gives a 50 percent weighting to severity while the latter distributes funds solely on the basis of the number of unemployed.

The third major issue to be decided in the development of new legislation was what changes should be made in the public service employment program as currently defined under Title II. The Administration's proposal of an entirely new program received such a bipartisanly hostile reception that it has received very little additional clarification since the original description was issued. One of the concerns behind the proposal, however, that the structure of Title II was such as to preclude the sufficiently rapid development of jobs has been reflected in the new Act.

The New Legislation

On November 29, the House Select Subcommittee on Labor issued what was, in effect, a subcommittee report on new PSE legislation; the Conference Report on the "Emergency Jobs and Unemployment Assistance Act of 1974" was filed just 18 days later. An urgent supplemental appropriation was considered on the same day as the authorizing legislation. A brief view of what is in, and not in, this new Act may be an appropriate conclusion to a paper on CETA's first year.

Most interesting, perhaps, is that only one out of the three titles

in the new Act deals with public service employment—and only about half the money. The rest is for unemployment benefits and for a new job-opportunities program that deserves more attention than it has gotten so far. The amount of attention devoted to the non-PSE parts of the bill was minimal, but perversely that may best show their importance.

Looking first at the PSE title, it does *not* contain the "triggers" so popular with those who would like to see PSE automatically expanding and contracting with the state of the economy. The reason, however, was not the theoretical difficulties of triggers discussed above, but rather the decision to limit the bill to a single year, so that other substantive issues would have to be taken up next year.

The distribution formula was, undoubtedly, the most difficult issue to resolve. There were really two issues: first, how much to concentrate funds into high unemployment areas, and second, how to achieve this concentration. The House committee bill concentrated 75 percent of the fund into high unemployment areas and this was reduced to 50 percent by a floor amendment. The Senate bill concentrated 25 percent. The House figure prevailed.

The House formula concentrated funds by using a concept of excess unemployed while the Senate formula used total unemployed in areas of high unemployment. Due to data limitation, however, the House had to use prime sponsor areas while the Senate used Title II areas. The result, perhaps predictably, is that half the concentration effect is achieved through the Senate method, and half through that of the House.

The next major feature of the bill is, I think, the concern to expand the type of job opportunities to be funded—a concern derived in significant part from the difficulties of funding PSE slots under the already enacted appropriations. This concern is expressed in two ways: first, by downplaying the transitional requirements of Title II; second, by making funds available for an entire new range of activities. (Note this is, of course, even more significantly the case in the new Title III). The transitional requirements are dealt with in two ways: first, by a significant restriction on the Secretary's rule-making authority under Title II, and second, by the waiver of certain requirements in areas of excessively high unemployment. The enlargement of job activities is mainly in the area of construction and rehabilitation but also, though in somewhat obscure terms, in the area of child care. The third major area addressed by the bill is that of priorities in hiring which is inextricably intertwined with the isssue of rehiring laid-off public employees and the problems of maintenance of effort.

The bill gives "preferred consideration" in hiring to certain groups. "Preferred consideration" is, presumably, somewhat less that the "preference" given in the House bill but somewhat more than the "special consideration" of the Senate bill and existing law. This special treatment is given to three groups: those who have exhausted their unemployment insurance benefits, those who are not eligible for them (other than new entrants into the labor force), and those who have been unemployed for over 15 weeks. A technical reading would seem to include most laid-off state and municipal employees in the second category because, while they can draw benefits under Title II of the Act, these benefits are not "insurance."

The maintenance-of-effort problem that may be created by this may be exacerbated by the fact that employees in designated high unemployment areas are eligible for rehire after 15, rather than 30 days, although only if the prime sponsor certifies that the rehire is not in violation of the maintenance of effort requirements.

The whole problem of who should be hired in an expanded PSE program when many public employees are in the process of being laid off is a difficult one—and one for which no one would appear to have a solution. The two possible solutions—hiring the laid-off employees or hiring others are equally open to criticism—and the lack of an acceptable solution is the greatest threat to the continuation of a PSE program.

A word about the other titles: Title II providing federal unemployment benefits for those excluded by state law is a very large new step. Twelve million people are estimated to be covered by the title, and 2.5 million are expected to draw benefits in one year. The policy issues raised are just as large: For example, should social insurance for new groups be financed out of general revenues rather than payroll taxes? Should federal benefits be paid in the widely varying amounts provided by state law? These issues were not discussed, *but* the title was enacted. The inclusion of an unemployment benefit program that is at least as large as the PSE program may also portend a future mix of programs that may not wholly please the more strenuous supporters of PSE.

Title III cannot be described briefly by me because, to describe something briefly, you have to really understand it. It is an attempt to assess all federal programs from their ability to generate jobs and to fund those with a significant impact on high unemployment. The concept, it seems to me, offers a policy alternative between PSE, accelerated public works, and macroeconomic stimulation of the economy that deserves close consideration as a tool to combat unemployment.

CETA: The View from Kalamazoo

PETER KOBRAK
Western Michigan University
AND
E. EARL WRIGHT
The W. E. Upjohn Institute for Employment Research

The enactment of the Comprehensive Employment and Training Act (CETA) of 1973 marked the culmination of a widely heralded effort to consolidate, decategorize, and decentralize the nation's manpower development and training programs. CETA was designed to eliminate the numerous problems and deficiencies inherent in a system of "packaged" categorical programs designed in Washington.

Program innovations, the development of delivery systems more responsive to community needs, and increased accountability were among the goals that prime sponsors were expected to attain through the new legislation. Although CETA has been operational for only six months officially, it is possible to assess the extent to which some of the goals have been attained, or at least addressed.

It is the intent of the authors to provide a preliminary assessment of the CETA program from the perspective of state and local prime sponsors. The problems encountered by prime sponsors in planning and implementing local and state programs in Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin are the focal points which this paper treats with respect to Title I. The six-state Region V accounts for a total of 88 balance-of-state and local prime sponsors, many of which had had limited experience with manpower planning and programming prior to the enactment of CETA.

The Slow Pace in Implementing Title I

One of the major difficulties with the CETA program has been the extremely slow pace in the development of plans and in their subsequent implementation by prime sponsors. Although operational planning grants were awarded to prospective CETA sponsors in November 1973, neither the Department of Labor (DOL) nor units of local government were able to adhere to the CETA grant application and implementation deadlines.

From the prime sponsor's perspective, the implementation of CETA was dependent upon the prompt development and publication of the DOL rules and regulations. After no fewer than seven drafts, the com-

prehensive regulations were published in the *Federal Register* on March 19, 1974. However, numerous problems identified during the required public-comment period necessitated the publication of the revised regulation of June 4—several days after grant applications were supposed to have been submitted to the Department of Labor for review and ultimate approval. The fact that any CETA grant applications were completed by June 1 is in itself remarkable. The short time-period between the initial publication of the regulations and the deadline for submittal of applications, along with lack of information and consistency about the required degree of specificity in plans, made it practically impossible for prime sponsors to pursue a comprehensive planning process. Then too, prime sponsors were frustrated by constantly changing or incomplete instructions and the necessity of concurrently developing Title II and summer-program grant applications.

Of the 75 applications submitted by 88 prime sponsors in Region V, only 28 grants had been awarded a month and a half after CETA was scheduled to be operational. The first Title I grant in the region was awarded to the County of Kalamazoo, Michigan, on July 8, 1974. Only eight other Title I programs were approved during the month of July.

The delays in developing and obtaining approval of CETA plans cannot be attributed to the Department of Labor or to the lack of technical assistance. Our review of CETA plans and field interviews indicates that many prime sponsors were not adequately prepared to develop and implement a comprehensive manpower program. For too many sponsors, manpower was an entirely new activity. Many local units of government, particularly the smaller cities and counties that had not previously received Cooperative Area Manpower Planning System (CAMPS) grants, did not have the technical staff necessary to conduct strategic and operational manpower planning. Although operational planning grants were awarded early in the game, many sponsors were unusually slow in recruiting their professional manpower staff.

Local prime sponsors also encountered considerable deficiencies in local labor market information required for strategic planning. The difficulty in identifying and understanding the manpower needs of various groups within the prime sponsor's jurisdiction, the lack of occupationally specific demand data upon which to base decisions regarding manpower training, and the difficulty of tailoring manpower and training services to the needs of the sponsor's constituency tended to complicate and delay the implementation of CETA.

First-Year Plans

The authors reviewed the project operating plans of 81 of the 88

prime sponsors within Region V. This review provided an indication of the program or activity orientation of the local CETA plans. The prime sponsors' plans reveal that few program innovations are being implemented during the first year of CETA. On the contrary, most prime sponsors have simply extended categorical program models under CETA, with the intent that the first year be used as a transition year.

Prime sponsors are devoting considerable attention to developing the fiscal and program-management systems for their operations. Attention is also being focused to a lesser extent on the development of evaluation criteria for existing training activities being sponsored under CETA. Emphasis is being placed on the mechanics of managing manpower programs; little attention is being given to experimentation or to the development of alternative manpower-service-delivery models.

The data gathered from prime sponsors' plans in Region V indicate the relative extent to which various training models are being relied upon during the first year of CETA. Of the 81 prime sponsors for which planning data were available, 79 proposed some type of classroom training. On-the-job training was planned by 77 of the sponsors, while all 81 proposed some form of work experience. The work-experience models being implemented under CETA are basically the same as those funded under the categorical Neighborhood Youth Corps and Operation Mainstream programs.

Although it was anticipated that prime sponsors would rely upon Title I funds for the creation of Public Service Employment (PSE) components, this development has not occurred to any great extent. Only 28 of the 81 sponsors initially earmarked Title I funds for public service jobs. A further indication of the low priority given PSE under Title I is that PSE jobs were to be provided for only 1,300 individuals.

Several factors have surfaced that may partially explain why PSE was a relatively minor program component under Title I. The most important factor was that the majority of Title I prime sponsors were also recipients of Title II funds which were used almost exclusively for PSE purposes. Coupled with this was the expectation on the part of prime sponsors that large increases in PSE funding would be available as unemployment increased.

An even smaller number of the prime sponsors, 16 of the 81, planned on sponsoring programs other than the traditional training and service components. The other types of programs that are included in this category cover such service areas as the removal of artificial barriers to employment and local economic development. Now it is local elected officials who are looking for quick, quantitative results in their manpower planning.

PERFORMANCE BY PRIME SPONSORS

As could have been anticipated by the late start-ups of Title I programs, performance by prime sponsors for the first quarter was significantly below planned levels of expenditures and service to individuals. The expenditure of approximately $15 million was planned for Title I activities in Region V during the first quarter. The actual level of accrued expenditures for the region amounted to slightly over $4 million, only 28 percent of the level planned. The actual accrued expenditure level in Michigan (35 percent of the planned level) was somewhat higher than that of the region; slightly over $1 million was obligated. With the current underexpenditure pattern, it is obvious that many local prime sponsors are encountering the need to modify their Title I grants in order that funds may be expended this fiscal year. If reprogramming does not occur, a large amount—perhaps an excessive amount—of funds can be expected to be carried into fiscal year 1976.

In terms of the number of individuals who have received training and manpower services, performance by prime sponsors during the first quarter has been quite disappointing because unemployment and demands for manpower services have steadily increased. As indicated in Table 1, 13,984 individuals in Region V received some type of manpower training and services during the period July 1-September 30, 1974. This number represents only 46.3 percent of the planned number of CETA Title I enrollees.

The experience in Michigan paralleled that of the region; the state had only 2,443 enrollees, or 43 percent of the planned number, during the first quarter. Perhaps an even more striking statistic is that only

TABLE 1
Number and Percentage of Enrollees and Terminations for CETA Title I in Region V and in Michigan First Quarter, Fiscal Year 1975

Indicator	Region V			Michigan		
	Plan	Actual	% of Plan	Plan	Actual	% of Plan
All enrollees	30,196	13,984	46.3	5,676	2,443	43.0
Total terminations	8,549	1,195	14.0	975	91	9.3
Unsubsidized employment	3,210	617	19.2	600	38	6.3
Direct placements	1,343	336	25.0	124	22	17.7
Indirect placements	1,608	220	13.7	414	7	1.7
Self-placements	259	61	23.6	62	9	14.5
Other positive terminations	4,013	368	9.2	123	22	17.9
Nonpositive terminations	1,316	210	16.0	252	31	12.3
Current enrollees	21,647	12,789	59.1	4,710	2,352	50.0

Source: Region V, U.S. Department of Labor, Manpower Administration.

617 CETA enrollees throughout the region have entered unsubsidized employment and only 38 in the State of Michigan. These levels represent 19.2 percent and 6.3 percent, respectively, of the planned goals for placement of CETA enrollees. The current Title I enrollment levels at the end of September, however, indicated that the performance of prime sponsors was beginning to improve slightly. In Region V, 12,789 individuals (59.1 percent of the planned number) were enrolled in Title I activities. Current enrollments in Michigan amounted to 2,352, or 50 percent of the level planned by prime sponsors.

Table 2 shows the performance of prime sponsors in various Title I activities for Region V and for Michigan. Enrollments in all activities were significantly below planned levels. Enrollments in the Public Service Employment and on-the-job training (OJT) components are lagging considerably behind schedule. In the region only 106 individuals have been enrolled in OJT training; in Michigan, only 14. These levels represent 5.7 and 4.1 percent, respectively, of the region's and the state's goals. Based on a sampling of reports from local prime sponsors, the lack of hiring under the OJT activity is due primarily to the increases in unemployment in the private sector.

Activity under the work-experience component is relatively higher than that under other components. Most of the work-experience programs are similar to the Neighborhood Youth Corps and Operation Mainstream programs, and they were put in place with relative ease. In Region V, 9,490 individuals (52 percent of the planned number) have been enrolled in these programs. By comparison, 1,849 persons in Mich-

TABLE 2
First-Quarter and Current Number and Percentage of Enrollees in CETA Title I Programs in Region V and in Michigan Fiscal Year 1975

Program	Region V			Michigan		
	Plan	Actual	% of Plan	Plan	Actual	% of Plan
All enrollees, first quarter	28,209	13,192	46.8	5,432	2,347	43.2
Classroom training	7,129	2,997	42.0	1,396	465	33.3
On-the-job training	1,858	106	5.7	339	14	4.1
Public Service Employment	521	150	28.8	258	19	7.4
Work experience	18,235	9,490	52.0	3,439	1,849	53.8
Other programs	466	449	96.4	.....	.....	.....
Current enrollees	22,793	11,525	50.1	4,710	2,263	48.0
Classroom training	5,122	2,472	48.3	1,093	444	40.6
On-the-job training	1,483	106	7.2	290	14	4.8
Public Service Employment	474	142	30.0	254	19	7.5
Work experience	14,912	8,456	56.7	3,073	1,786	58.1
Other programs	802	349	43.5	.....	.....	.....

Source: Region V, U.S. Department of Labor, Manpower Administration.

igan (54 percent of the number planned) have received work-experience services. The classroom-training component is also being implemented without too much difficulty. However, the extent to which prime sponsors will be able to reach placement goals for classroom training and other training components during a period of high unemployment is a question that has not yet been faced by local sponsors.

Perhaps the most difficult task with which prime sponsors will continue to be faced is adapting their comprehensive manpower programs to changing national and local economic conditions. When most sponsors planned their CETA programs, unemployment was at an uncomfortable but not a threatening level. Today high levels of unemployment exist throughout most of the areas within the nation. Manpower plans that were at least in part based upon expanding employment levels must now be adjusted to meet the realities of the job market. The extent to which CETA can be responsive to changing employment conditions will be the primary factor affecting the success of the program during the first year of operation.

Public Service Employment Under Title II

The new public service model developed under Title II of CETA went into effect on July 1, 1974; it is therefore too early for more than a tentative and preliminary assessment of its performance and potential. Furthermore, extraneous circumstances have acted to slow implementation of the Public Service Employment provisions. In February 1974 Congress extended the Emergency Employment Act of 1971 (EEA) until June 30, 1975, allocating $250 million for this program at virtually the same time that CETA Title II monies became available. The State of Michigan, in dealing with the balance-of-state areas, as well as many prime sponsors, decided to allocate the EEA funds quickly in order not to lose them. But it took time to develop working relationships with the inexperienced persons who were then running the EEA program locally and to revive project plans that had sunk to a low ebb. Many Michigan counties therefore did not turn to implementing their CETA Title II funds until October or November.

Other extraneous circumstances that have influenced the level of PSE funding in Title II, as well as in Title I, are the wage limitation of $10,000 for each PSE position and the goal of transitional subsidized employment. For some prime sponsors, particularly large cities, the salary limitations narrowed the types of PSE positions that could be created without subsidization from non-CETA funds. An occupational summary of the initial 3,027 jobs identified in Michigan's prime sponsor plans reveals that 31 percent of Detroit's jobs required a salary of

$10,000 or more, while the comparable percentage in the remainder of the state was 13. Region V officials, however, have pointed out that a number of prime sponsors in other Michigan areas have also assigned a high priority to community needs involving unionized public service employees with comparatively high salaries; and that 15 percent or more of the jobs identified by six of Michigan's other 19 prime sponsors were above $10,000.

Attaining the goal of moving PSE enrollees to unsubsidized employment is viewed as highly uncertain in a period of frequent, severe budgetary constraints at the local government level. Although prime sponsors are not legally required to absorb enrollees, there is a definite political concern over their ultimate placement if PSE funds can no longer be used. Aware that DOL is monitoring CETA more closely than some earlier manpower programs, a number of the prime sponsors are also chary of the maintenance-of-effort clause; and they are determined to avoid a substantial bill for disallowed costs at some future time.

While EEA experienced a slow start too, the substantial underutilization of CETA Title II funds during the first quarter is disturbing. Department of Labor officials estimate that of the 200,000 job slots available nationally, only between 25,000 and 50,000 had been created and funded as of early December. Table 3 indicates that in Michigan expenditures and enrollment were also limited during the first quarter of CETA. Prime sponsors managed to spend only 9 percent of the funds that they had planned to allocate. The temptation is to explain this inactivity as merely the result of a severely depressed automobile industry. The heavily industrialized southeastern segment of the state did achieve only 5 percent of its financial goal. Elsewhere in Michigan, however, the proportion of expended funds rose to only 15 percent. Not a single prime sponsor attained even one-half of its planning goal. On

TABLE 3
Amount and Percent of Expenditures with Number and Percent of Enrollees in Michigan CETA Title II Programs First Quarter, Fiscal Year 1975

	Expenditures (in thousands)			Enrollment		
Michigan	Plan	Actual	% of Plan	Plan	Actual	% of Plan
Southeast area[a]	$2,157.7	103.9	5	1,108	241	22
Remainder of State	1,708.5	256.5	15	1,400	431	31
Total	3,866.2	360.4	9	2,508	672	27

Source: Region V, U.S. Department of Labor, Manpower Administration.
[a] Consists here of Wayne County (including Detroit), Genesee County (including Flint), and Oakland County.

a statewide basis, only 27 percent of the slots were filled, and less than one-third of the positions were occupied even where the auto layoffs were less severe.

The Problem of Absorption

Changes in the enforcement of various Title II regulations may result in fully successful implementation. But perhaps some localities cannot now absorb the proposed number of PSE enrollees. At the inception of EEA in 1971, economic conditions were not as severe as they are now and local budgets were not as tight. EEA program agents complained that they needed more supplies and equipment and more supervisors, but they subsequently in most cases absorbed the enrollees anyway. Now Title II prime sponsors are moving more cautiously. In 1971 there were somewhat fewer layoffs; now several of the municipalities that could best utilize Title II enrollees appear to feel crosspressured between wanting to hold workers they will otherwise have to lay off and not wanting to heighten public expectations regarding the level of services they can deliver. There are already glimmers of possible future political conflict in the case of such "double layoffs."

The uncertain length of CETA has led numerous school board and county administrators to be guarded in their commitments, since their jurisdictions will soon be covered by extensive unemployment compensation provisions. In Michigan such officials have expressed reluctance to hire PSE enrollees without some assurance that they will not be laid off soon thereafter and then, as the Mayor of Grand Rapids put it, "adversely affect the unemployment compensation rate for the entire government unit." This concern could loom particularly large in the months ahead, since the Department of Labor will have to exert pressure on prime sponsors to hire more than 200,000 persons under Title II in order to spend all of its remaining funds during the last six months of the fiscal year.

Absorption would seem to explain less of the problem if prime sponsors were delayed by the complications of hiring persons from segments of the population particularly hard hit by the recession, but many localities are paying little attention to what is now merely a recommendation in the CETA regulations that such individuals be hired on an "equitable basis." Analysis of the "significant segments" of the population included within the plans of Michigan's prime sponsors suggests a generally limited concern for the plight of such groups. Only three significant segments were identified by more than 40 percent of these counties and balance-of-state areas: Vietnam-era veterans, welfare recipients, and former manpower trainees. Outside of Oakland and Wayne

Counties (including Detroit), prime sponsors planned to hire only 153 blacks out of 7,079 slots, and they intended to select less than half of their applicants from among the ranks of the significant segments. Prime sponsors vary greatly in their understanding of PSE; but, as one Michigan State Manpower Services Council staff member put it, they certainly "find using Title II preferable to raising the millage."

The Need for a Contingency Plan

The Department of Labor is apparently planning to take back some of the Title II monies during the winter and reallocate them. For the moment, however, it is easier to see where they will find the funds than where they will spend them—particularly since Congress has now made available more funds based on the same model. The need for jobs and public services certainly exists, and it will be unfortunate if PSE is condemned because of what may be an inappropriate delivery system under current economic conditions. Alternative economic conditions may call for alternative PSE delivery systems.

We therefore propose that contingency legislation be developed to allow for identification of large-scale, labor-intensive projects that are national or regional in scope. These projects could then be implemented rapidly and directly by the federal government if the projected PSE enrollment and funding levels do not materialize. The stakes are high. If Title II does not pick up substantially, and a contingency plan for direct federal PSE intervention is not available, the promising concept of large-scale job creation may otherwise be condemned along with the Title II program design.

CETA and Manpower Program Evaluation

CHARLES C. KILLINGSWORTH
Michigan State University

This is the age of oversell. Toothpaste is sold not merely as a useful aid to cleaning teeth, but as a surefire way to improve your love life. Diamonds are not merely an adornment, but the best proof possible of eternal devotion. Every car on the market is greatly superior to every other car in the same price range. With a kind of Hegelian inevitability, the overseller calls forth the debunker. His name may be Nader or Galbraith or Moynihan or something else, but his number is legion. This dialectic has been at work in the domain of social reform during the past dozen or so years. In the 1960s, we were told that this nation had the knowledge and the power to eradicate or greatly ameliorate many age-old evils—poverty, unemployment, illiteracy, racial discrimination, crime in the streets, etc., etc. All that the general populace had to do was to pull the right lever in the voting booth. Now, in the 1970s, we are caught in the backwash of disillusionment and cynicism.

This pattern has been apparent in the field of manpower programs. The oversell in the 1960s resulted more from a competition for votes than for consumer dollars; but inflated claims were undeniably made for the potential benefits to be expected from particular kinds of intervention in the labor market. Politicians were far more guilty than the manpower "experts," but there was undoubtedly some cross-infection with the virus of over-exuberance. Today, after more than a decade of experimentation, if you take a sufficiently large sample of people who call themselves "labor economists," you will find some who will assert that manpower programs generally have been remarkably successful in attaining their goals, and others who will assert that these programs have generally been a waste of money.

State and local planners of manpower programs under the Comprehensive Employment and Training Act (CETA) probably had little opportunity to be troubled by this contradiction in the first year of operations under the new legislation. When you are struggling to keep your nose above water, you don't read a book on oceanography. There was great pressure on the state and local administrators to submit first-year budgets and plans within a brief time span. Not unexpectedly, they chose to maintain approximately the existing balance among programs for the first round. Now, however, we may hope

that planning is going forward with more opportunity for the consideration of long-run options. The relative merits of various kinds of manpower programs can be weighed, and their relevance to local needs can be judged. At least that is what the theory of decentralization says. If these planners look to the rather extensive literature on evaluation of manpower programs, they may be more confused than enlightened. And that, I think, is unfortunate.

In the limited space available to me, I shall provide a general characterization of the literature on manpower program evaluation,[1] examine briefly the nature of the controversies that have developed concerning it, and suggest an approach to decision-making that I think might appropriately be applied by planners in the manpower field. I give particular attention to Public Service Employment (PSE), since that manpower program now occupies the center of the manpower stage.

When we turn to the literature on manpower program evaluation, we find that the largest number of studies, and the best ones, relate to institutional training under the Manpower Development and Training Act. Most of these studies attempt to measure the "payoff" of the particular program—that is, the relationship between the cost of the "inputs" and the value of the "outcomes." But virtually all of the studies measure the outcomes in terms of the earnings of trainees after completion of the training. Of course, a measurement effort of this kind is difficult.[2]

Ideally, one would compare the post-training experience of the trainees with that of another group (the "control") which is identical to the trainees in every respect except participation in the training program. This solution has been attempted in many of the MDTA institutional training studies. It is fair to generalize the findings, I think, as highly favorable. In other words, in virtually all of the careful studies, the estimated increase in earnings of trainees due to the training greatly exceeds the cost of the training. Hence, a number of synthesizers of studies have concluded that this type of training program, generally speaking, is a worthwhile "investment" even in strictly pecuniary terms.

This kind of conclusion has been sharply challenged. In fact, I

[1] For a more extended treatment, see Steve L. Barsby, *Cost-Benefit Analysis and Manpower Programs* (Lexington, Mass.: Lexington Books, 1972). Gerald Somers is completing a manuscript on this subject, which I have been privileged to read in draft form.

[2] For a concise discussion of the difficulties, see Glen G. Cain and Robinson G. Hollister, "The Methodology of Evaluating Social Action Programs," in *Public-Private Manpower Policies* eds. Arnold R. Weber and others (Madison: Industrial Relations Research Association Series, 1969), pp. 5–33.

believe that it is accurate to say that these studies (and others covering other types of manpower programs) have convinced a number of economists that such programs are generally ineffective and are a waste of public funds. I have heard that statement made by well-regarded scholars at several conferences in Washington and elsewhere.[3] It is important to analyze the basis for this negative conclusion.

The main line of attack on the evaluations is to emphasize the uncertainties and alleged uncertainties which the critics see in these studies. It is not difficult to compile a long list of "maybes" about any study of this kind. Maybe there were large, unmeasured differences in motivation between the trainee group and the control group. Maybe there were large differences in intelligence. Maybe there were differences in quality of prior education. Maybe more intensive placement efforts for the trainees account for their more favorable post-training employment experience. And so on. Sometimes the "maybes" are based on assumptions or assertions that I think are unrealistic, or at least wholly unsupported. For example, one study has been criticized because about a fifth of the trainees could not be located one year after the completion of training. People who move without leaving a forwarding address are likely to be unemployed, the critic argued.[4] My own experience in arbitration cases in scores of plants across the country has convinced me that it is quite common for *employed* workers to move without leaving a forwarding address with the post office and without notifying the employer of the change of address despite the possible penalties for such lack of notification. In my judgment, some of the "maybes" have little basis in reality. And it is important to note that it is easy to think of a lot of "maybes" on the other side of the question. Maybe the nonpecuniary benefits—such as lower crime rates—would be found to have a large monetary value if they were taken into account.

But let me move on to my basic point. It is not that these evaluation studies are beyond challenge; everyone who has examined the matter would agree, I think, that formidable problems of methodology and data collection remain to be solved. My disagreement is with the conclusion that is drawn from the weaknesses—real and alleged—in the evaluation studies. The conclusion is that since the evaluation studies fail to provide absolutely certain and completely unassailable proof of the benefits of manpower training, the benefits must be nonexistent.

[3] For a flat assertion—typical of many—that "manpower training and retraining programs" have been a failure, see F. Thomas Juster, "The Use of Surveys for Policy Research," *American Economic Review* (May 1974), pp. 355–364 at 357.

[4] Robert E. Hall, "Prospects for Shifting the Phillips Curve Through Manpower Policy," *Brookings Paper on Economic Activity*, Vol. III (1971), p. 678.

The conclusion is seldom stated so bluntly. One critic writes as follows:[5] "The obstacles to scientific evaluation of retraining programs are fundamental and serious. Even a well-conceived and executed study such as [one published by Mr. X] does not make a convincing case that training programs affect employment at all." In verbal discussion, this kind of conclusion is commonly transliterated into the assertion that manpower training programs have been shown to be ineffective. This is the leap in logic that I challenge.

The fundamental question is, what standard of proof is appropriate? If I may inject a personal note, let me observe that three decades as an arbitrator of labor-management disputes has given me a perspective on that question which no doubt is quite different from that of some economists who like to think of economics as an exact science comparable to physics or astronomy. My view was well stated years ago by a far more experienced and wiser man than I—Justice Oliver Wendell Holmes. He wrote that, "Certainty generally is illusion, and repose is not the destiny of man." In the overwhelming majority of arbitration cases, the evidence does not totally eliminate uncertainty; there are almost always conceivable, if not probable, "maybes." We know, for example, that even eye-witness identifications and written confessions are not completely and unquestionably reliable evidence. And, in broader arenas, I think experience teaches that ambiguity and uncertainty are permanent and pervasive aspects of the human condition. The seeker of absolute certainty as a basis for decisions is likely to develop intellectual paralysis. In real life, arbitrators and judges and even most economists must make decisions on the basis of *reasonable probabilities* rather than *certainty.* Reliance on human judgment is absolutely unavoidable, even for those who have infinitely greater confidence in the computer.

My argument, then, is that we should ask whether the evaluation studies of manpower training establish a reasonable probability that the programs are worth what they cost. Obviously, the answer to that question is strongly in the affirmative. But we should not regard that as the final answer to the question. More and better evidence may either reinforce that answer or lead to a different one. That is the meaning of the remark by Holmes that "repose is not the destiny of man." Even when we think we have an answer and a decision, we must keep our minds open to new facts and judgments which may affect the balance of the reasonable probabilities. I accept the desirability of continued efforts to refine and broaden the techniques of evaluation of

[5] *Ibid.*

social programs. And I certainly do not wish to be understood as arguing that all manpower training programs are equally effective under all circumstances. External conditions, such as the state of the local labor market, can affect the outcome of training; and differences in recruitment, content, length of training and many other variables can also affect the outcome. Finally, we should all keep in mind that cost-benefit studies of the type most commonly made necessarily imply a quite limited framework of evaluation.

In concluding this part of the discussion, it seems pertinent to note that European countries which have relatively larger and older manpower programs than ours have not made any significant effort to apply cost-benefit analysis to them. It is perhaps even more pertinent to note that most kinds of public expenditure in this country are not "scientifically" evaluated by the cost-benefit methodolgy. It is really an accident of American intellectual history that the concepts of investment in human capital and the techniques of cost-benefit analysis were being developed at about the same time that manpower training programs appeared on the scene. It is this accident of timing, plus the voluminous data generated by the new programs, that have helped to focus the attention of the cost-benefit analysts on manpower programs. Other areas of public expenditure have not been wholly neglected, but we are far from the point where we have the data base for judgments as to the relative effectiveness or the utility of many kinds of public programs. What I am saying is that even the "reasonable probability" standard of proof is far higher than what we follow, as a matter of practice, in most areas of public expenditure.

I now turn to my second main point, with much less space remaining than I would like to have. We are currently in the midst of a great overselling of public service employment as a remedy for unemployment and a lot of other social problems. It is really difficult today to find anybody other than Milton Friedman who is opposed to public service employment. The only real question appears to be, how much? But I want to report to you that there is a cloud on the horizon—perhaps not much bigger today than a man's hand, but possibly with a lot of thunder and lightning in it. I refer to the argument that public service employment, at least as presently conceived, may have only a very small long-run effect on employment. The reason for this, it is said, is that there will be large-scale substitution or displacement effects—that is, regular state and local employees may be replaced by PSE hires, or the expansion of payrolls that otherwise would have occurred will be achieved by the assignment of the PSE hires.

I want to make three points about this line of argument: (1) So

far, it is based almost entirely on speculation rather than direct evidence. (2) To the extent that there is much displacement, the secondary effects will at least partially offset the displacement. (3) If actual experience shows that there is a real problem here, a simple and effective remedy is available.

The displacement estimates that I have seen are, for the most part, presented in papers that are marked "draft—for discussion only," even though references to the papers will soon appear in published documents. With one exception, I will not refer to the authors of these drafts by name; but since their estimates are now being discussed in Washington and elsewhere, I think that it is not inappropriate to scrutinize the estimates briefly in this session. The substance of the estimates is that the *net* increase in employment from a PSE program in the long run (say, after about two years) would be roughly zero, or 6 percent of the PSE slots, or 25 percent, or 43 percent, or 54 percent—depending on which estimate or set of assumptions you use. Expressing the matter a little differently, you can also say that the extent of displacement is said to be from 46 percent to 100 percent. Most of these estimates are not based on studies of the recent actual experience under the Emergency Employment Act. Rather, they are based on models which attempt to measure the effects of federal grants of various types on state and local government expenditures. The policy conclusion that is drawn is that, if we want a PSE program to have a substantial impact on unemployment, we should set it up as a very short-run program.

One of the studies which is frequently cited is a forthcoming essay by Orley C. Ashenfelter and Ronald G. Ehrenberg.[6] To my mind, the most significant observation in that study is in the final sentence: "Clearly, far more analysis will be required before our numerical estimates can be taken as anything more than preliminary guides in the analysis of the practical problems we have examined." They developed a model of the demand for labor by state and local governments which was based on "the classical theory of consumer choice." They found that the implications of this theory seemed to be supported by data from 25 states with high-density population, but that it was apparently not applicable in the remaining 25. These limitations, which are explicitly stated by the authors, are ignored when this study is quoted in the other studies that I have examined. For the most part, the methodology leading to the other estimates mentioned above is not de-

[6] Orley C. Ashenfelter and Ronald G. Ehrenberg, "The Demand for Labor in the Public Sector," in *Labor in the Public and Nonprofit Sectors*, ed. D. S. Hamermesh (forthcoming from Princeton University Press).

tailed, beyond the statement that a process of "utility maximization" by the community is assumed.

I do not think that these estimates should be taken very seriously. It seems reasonable to expect a displacement or leakage "problem," but I do not think we know enough yet to reach a confident conclusion about its size—as, indeed, Ashenfelter and Ehrenberg clearly imply. I have had some exposure to the budget-making process at the municipal level, and I see very little resemblance between the utility-maximization models of the economists and what actually happens when the municipal budget is prepared.

It is more important to ask where the "leakage" goes, because such a "leakage" is almost certain to result in an "injection" elsewhere. If localities "replace" their regular employees with federally-subsidized employees, what happens to the money that they save? Either local taxes will be reduced, or increases in local taxes will be avoided, or the locality will spend more on other things. Some local taxpayers are likely to have more money to spend in the private sector than they would have had otherwise. Such increased expenditure will presumably increase private sector employment or forestall decreases that might otherwise have occurred. Some of the displacement studies assert that the federal taxpayers and the local taxpayers are the same people, which is at best a half-truth. Some communities will get more federal dollars than they pay in federal taxes, and vice versa. Moreover, the federal dollars will be financed by deficit or primarily by the federal income tax. The tax that is most easily raised or lowered by local governments is the property tax. Most tax experts, I think, would welcome the substitution of federal income tax or deficit dollars for local property tax dollars. The displacement theorists seem to imply that "leakage" and "loss" are synonymous, which is a superficial view.

But what if the displacement problem turns cut to be so serious that the present PSE program is rendered ineffective? What is the alternative? Some of the displacement theorists already argue that more generous unemployment compensation, or a negative income tax, or some kind of direct government payment to the unemployed may be more "efficient." I prefer a different solution: Let the federal government directly administer the PSE program. The federal government surely can prevent displacement more readily within its own domain than it can in thousands of local units. The WPA, despite the political propaganda of the day, was a successful enterprise by any reasonable standards; the federal government ran it. The decentralization of manpower programs, I would remind you, has resulted more from the quasi-religious faith in the abundance of wisdom at the grass roots than

from direct observation of that wisdom. If a particular manpower program is likely to be rendered ineffective by local administration, dogma should not stand in the way of more appropriate administrative arrangements.

The expressed preference of some analysts for more unemployment compensation or other income grants instead of public service employment raises a basic issue. The fundamental justification for the public service employment program, which probably accounts for much of its present popularity, is the value judgment that it is better to pay people for working than to pay them for not working. I have never seen that judgment supported by quantitative evidence that removes the last shadow of doubt. But then I have never seen an absolutely conclusive quantitative proof of another widely accepted value judgment, that living is better than dying.

DISCUSSION

CURTIS C. ALLER
San Francisco State College

Appropriately enough, the role of a discussant is plagued by uncertainity. In my case I was asked to prepare remarks in advance in a situation where I had one paper with which I agreed, another is in the mails, and the author of the third told me in the corridor he planned to surprise us with a different version. So I decided to give you the outline of a paper of my own in the form of four propositions I have culled from a much longer list.

1. Most of the work of economists has been a major disservice to themselves, their students, and decision-makers because of their attempts to apply formal methods of evaluation to manpower programs. Here I agree with Charles Killingsworth and would not attempt to embroider his excellent analysis further. But his paper did serve to bring to mind again one of John Dunlop's cannons of advice to his graduate students—namely, in the real world only about 20 percent of any problem is embraced by economics and that at most we could study the economic aspect and consequences. In the manpower field, I would argue the most important consequences have been relegated to subjective areas in cost/benefit analysis. Being immeasurable, they become irrelevant. To illustrate further, many economists have gone astray by assuming the objective of manpower programs was to increase employment. They failed to notice that in the American context you could not begin to understand the phenomenon except through its connection with the Civil Rights movement. In this context, then, the relevant questions are these: Has manpower been an effective instrument in producing equity in job access for minorities? To what extent has manpower fostered the search for identity and accompanying fragmentation of our society? Has this move to ethnic-based programs been productive or counter-productive for the groups involved?

2. Public service employment must be thought of as a tool and not an end. Here I think Robert Guttman's paper which continues his excellent tradition of making sense of congressional enactments has been most valuable. He has reminded us that this tool will serve different purposes given different stages in the economy. Thus the most recent bill has to be put in the context of counter-cyclical strategy. In my terms, I would prefer to put it in the context of a continuing search for distributive equity. But however put, it seems to me economists

ought to be focusing more on our clumsy mechanisms for arriving at these decisions and return again to a consideration of the Swedish Labor-Market Board for examples of how we might tie together more effectively aggregative and manpower economics. Nat Goldfinger in his Presidential Address developed these needs most ably.

3. Manpower is less a program than an annual cycle of crises activity. It is disconcerting to step back and recall the steady procession of manpower programs that have arrived during the past dozen years almost without exception at the start of the year. This year follows the pattern as we launch the Emergency Jobs and Unemployed Assistance Act a year after CETA passed the Congress and was accepted by the President. We persistently underestimate the time it takes to make any large new program thrust operational. To illustrate with a personal note, I can still recall vainly protesting a decision to try and install the Concentrated Employment Program in 30 cities in 30 days. As some of you may know, this effort required several years. The reason for this state of affairs is not hard to find. To the politician and the central planner it is that happy marriage of a felt need and the program idea that is crucial and usually sufficient. Others are given the job of worrying about implementation. I first had an indirect confirmation of this when I traveled with a congressional group to England to take a look at the Industrial Training Act 18 months after its passage. We were disappointed to find little activity to study as the British were then in the early stages of its implementation. I was given to understand Congress would consider such lackadaisical treatment of its decisions to be sufficient cause to pillory the guilty parties.

This is an exaggeration, of course, and pardonable only because it permits me to stress an important but neglected arena of policy-making. We completely underestimate the complexity of the task of converting rhetoric to reality. It is a very complicated business to establish a planning system, to design program models, to provide a useful data system, to establish program standards, to solve the logistics of a delivery system, and much more. This is the real value of the Kobrack-Wright study. Inferentially, their findings suggest more was attempted than could be reasonably accomplished in a short time.

My own guess is that it would take at least three years to make CETA fully operational and perhaps a decade before we would be satisfied with the performance levels of the new system. Yet, because it could not be an instant system, we can expect to find its most ambitious features abandoned before they are attempted. Already we face the danger that the transitional feature in public service employment (Title II) programs will be swamped by the desperate urgency coming with

the new emergency employment program (Title VI) to get the money out into jobs at any cost. Whatever else CETA promised, it had been the certainity that in order to achieve the transitional objective major structural reforms in the way local governments hired and retained their employees would be required. Necessarily this is a difficult and slow process.

4. The institutional, including governmental, effects are consistently neglected in analytical work.

Two brief examples will have to suffice here. First, we have failed to incorporate in our program designs our very rich knowledge of market diversities which are the product of myriad institutional forces. The public sector to which the public service employment program is addressed consists of a vast number of unique employment systems. They range all the way from systems where decisions are largely political to rigid civil service systems with a strict adherence to the rule of 3. These systems are controlled by complex and diverse rules. To this fabric any program of public service employment must adapt if it is to survive. The Career Opportunities Development program in California has shown how a group of knowledgeable specialists with specific command of the intricacies of these systems can both adapt a public employment program to these realities and also engineer institutional change in the process. This experience provides some lessons that ought to be incorporated in the CETA programs throughout the country.

Second, CETA opens up for our study and better understanding the area of intergovernmental relations. I think those of us who have been busy designing the spectrum of manpower programs have not appreciated the complexities of the long route of governments we need to traverse in moving from Washington, D.C., to the local area and then back up again. CETA represents a bold thrust in a new direction. It may be that some years from now we will conclude that its most important consequence will have been the reshaping of our intergovernmental system. I would therefore, if I had the opportunity, want to direct our evaluation resources away from the economic and toward the governmental questions.

DISCUSSION

MORRIS A. HOROWITZ
Northeastern University

I somehow feel uneasy when I read a paper such as that of Professor Killingsworth and realize that I agree with most of his major points. The normal expectation of an audience is that the discussant attacks one of the main speakers, and a heated debate then takes place. If I am letting any of you down, I am sorry.

The first part of Professor Killingsworth's paper and the paper by Kobrak and Wright involved the problems of evaluating manpower programs at a local level. During the past seven years I have been involved in a number of studies which evaluated and analyzed manpower programs in the Boston area. The completed studies did analyze (and perhaps also did evaluate) the Boston manpower situation. Currently, I am involved in a study of CETA's transitional year in Boston. Perhaps Boston is unique, but I have never been able to obtain sufficient reliable cost data to consider doing a cost analysis of a program. Cost estimates obviously can be made, but the margin of error is too great to consider making serious decisions on such estimates.

Can one recommend dropping one program and expanding another on the basis of rough cost estimates? And how does one monetize the benefits that may accrue to any program? We all know that the benefits from various manpower programs are based, in a general way, on a scale of expected values. What are the goals of the different training programs? Are they better jobs, or higher earnings, or fewer periods of unemployment? What if a goal of a training program is to impart to the trainees a feeling of self-respect or self-confidence? What are the dollar values of this? And what if the goals of a training program for youth are to keep them off the streets and to prevent crime? How easy is it to translate such benefits into dollars and then compare these benefits with the benefits of higher earnings from another program?

When we are dealing with persons below the poverty level can we decide that some goals are worthy, regardless of the cost? And a program that ranks high in Boston, by some criteria, may be a failure in Salt Lake City or in San Francisco. Are we really evaluating the program or other factors such as the instructors, the administrators, and the "creaming" of the applicants? And with our recent great drive for decentralization of manpower programs, will it be possible to engage in comparative studies across the nation? Whatever uniform

policies and criteria that existed in the past are likely to disappear as decentralization policies take over. I should note that I am not opposing the process of evaluating manpower programs. I am questioning the merit of making rough estimates of costs and putting dollar figures on every conceivable "benefit." Manpower programs can stand on their own without such cost-benefit estimates.

I was intrigued with Professor Killingsworth's comments that he would prefer that the federal government directly administer public service employment. I had assumed that Killingsworth, as a member of the National Manpower Policy Task Force, was fully in favor of decentralization. I am uncertain how Killingsworth originally felt about the issue of decentralization, but I understand that other members of the task force are already having second thoughts about their strong position in favor of decentralization.

Perhaps I have been studying the manpower programs in the Boston area too long. I have long had considerable doubts about decentralization, at least as to how it might function in my home town. It is a lot easier to decatagorize and decentralize manpower programs when the funds are increasing. However, the funds for Boston were cut significantly, making the transition under CETA exceedingly difficult. I agree with both Killingsworth and Kobrak, and I too would prefer to see the federal government run the public service employment program. My reasons are not only because of the displacement, or substitution, problem, but also because of the potential politics that may become involved.

While I am fully in favor of a public service employment program, I think we should recognize that numerous problems may arise at the local level when placing unemployed persons on city jobs. Many of these unemployed persons may not be fully qualified for the available public service positions, and there is not likely to be sufficient supervision to give the person the training needed to perform successfully. In such instances persons placed in such jobs recognize very quickly that they are being paid on a job for which they are not fully qualified, and this could be demoralizing. In addition, the employment of such unqualified persons may have a demoralizing effect upon the regular civil servants with whom they work side-by-side. One alternative to this possible situation is to place the person in a training program rather than a job, but pay him a regular salary. The possible long-run effects of such training may be much better than a public service employment job with little or no training or supervision.

VIII. EQUAL EMPLOYMENT, AFFIRMATIVE ACTION, AND TITLE VII DISPUTES*

Steel Industry Equal Employment Consent Decrees

VINCENT L. MATERA
U.S. Steel Corporation

In mid-April 1974, two events of great significance to the steel industry occurred also simultaneously. In a Washington, D.C., ballroom, executives from the country's ten largest steel companies met with officers of the United Steelworkers of America to sign a settlement agreement concluding the 1974 basic steel bargaining and establishing the terms and conditions of employment for most basic steel industry employees until mid-1977.

At almost the same moment a group of lawyers representing nine of these steel companies,[1] the United Steelworkers of America, and the United States government were in a court room in Birmingham, Alabama, where U.S. District Court Judge Samuel C. Pointer was entering two consent decrees relating to equal employment in almost three-quarters of the American steel industry.

Of these two events, it may be that the latter has the more far-reaching consequences. The most noteworthy factor about the 1974 steel settlement was not its substance, but its accomplishment under an innovative arrangement. The consent decrees are unique in several respects and will have an impact on steel industry employment far into the future.

Consent Decree I deals with the most difficult and most sensitive problems that had to be and are being resolved. Those problems can be summed up in the word "seniority." I will not discuss Consent Decree II, which essentially comprises an affirmative action program with goals and timetables.

* The paper presented in this session by Carin A. Clauss, U.S. Department of Labor, is not included in the published Proceedings.

[1] The tenth, Inland Steel, had decided at the last moment not to agree to the consent decree.

Consent Decree I covers women and Spanish-surnamed persons, but I'm going to concentrate on the background leading up to it primarily in terms of the steel industry's employment opportunities for blacks, the largest minority group in the industry, where complaint has not been one of underemployment, but rather that those who have been employed have not been accorded the same breadth of employment opportunities as whites.

A common misimpression is that steelmaking is a "strong back–weak mind" occupation where there need be no particular concern about employee qualifications. In fact, a number of government people started with that notion, but they were quickly disabused of it after some on-site exposure to steel manufacturing.

Steelmaking involves countless highly complicated tasks. Many of the skills require years of training and experience which are normally accumulated by an employee in movement upward from job to job during a working career. Steelmaking involves transporting and otherwise handling tremendous quantities of materials, most of it at extremely high temperature and a good deal of it in molten form. There is a great deal of heavy moving machinery; there are many enormous lifting devices and other material-handling equipment as well as large in-plant and carrier rail installations. Thus the employer, and the employees as well, have a sincere, legitimate, and overriding interest in being certain that anyone assigned to one of the hundreds of different occupations in many different departments in a steel mill have the necessary qualifications, including training and experience, to perform the work not only with efficiency but primarily with safety to the worker and to all other people who may be in the vicinity. U.S. Steel, after all, coined the expression "Safety First" more than 50 years ago.

The selection of employees for particular jobs, including movement up in promotional situations or down and perhaps out in reduction-of-force situations, is, of course, governed by the seniority system. That system has had one consistent threat—that selections would first be made on the basis of ability and physical fitness and that only where these were relatively equal would the determinative factor be "continuous service," the steel industry term for what most people refer to as "seniority."

While simple in concept, seniority becomes quite complex in application at a major steel mill. For example, at a Pittsburgh district basic steel plant of U.S. Steel with approximately 9,000 union-represented production and maintenance employees, there were, prior to the decree, 57 different seniority units comprising a total of 305 distinct lines of progression. Each employee was an incumbent of one of almost 2,000 dif-

ferent and separately described and classified jobs, each such job being included in one of the lines of progression.

Thus, as we entered the period of concentrated emphasis on expanding employment opportunities for minorities, the seniority arrangement in the steel industry had become extremely complex and hard to change, but for the most part, at least, free of any conscious illegal discrimination.

The early developments of the law under Title VII and Executive Order 11246 reflected the complexities both of the industry and of its seniority arrangements. The important principle that Title VII required the elimination of the continuing effects of past discrimination had led courts to require that seniority systems be restructured so that a person who had been improperly denied promotional opportunities in the past would be accorded at least the opportunity to reach a position he might have reached but for such discrimination. But the earliest cases concerning this problem in the steel industry held these rules should not apply in steel because of the greater complexities of steel plants and the wide variety of dissimilar skills used in steelmaking.

Later decisions held that in certain steel plants blacks had been discriminatorily assigned in their initial employment to units where working conditions were undesirable and promotional opportunities were limited, and that the seniority system locked the employees into these undesirable assignments because it operated within given units in an employer location. It was determined that even an employee who had an opportunity to escape from an undesirable unit into one which provided better employment and a greater promotional opportunity could do so only on pain of being treated as a new employee for seniority purposes in that unit, subject to the rights of others who, though perhaps much more recently hired at the plant, had superior seniority rights in that particular unit. This reflected the historic view of different major departments, for seniority purposes, as separate plants.

As a consequence, the courts in later steel cases required changing the seniority systems so that a participating employee had not just the theoretical right, but a practical opportunity, to move from a unit to another where there were better opportunities. The basic ingredient of this arrangement was the required use of continuous service based on the length of employment in a plant (which we refer to as "plant service") rather than the length of service in a particular unit or on a particular job. This concept was first applied in a case involving the Lackawanna, New York, plant of Bethlehem Steel Corporation where the federal court required that plant service be used in the case of any seniority determination which involved a black employee.

In addition to requiring the use of plant service, the *Bethlehem*

Lackawanna decision required "race retention." An employee who transfers from one unit to another with better overall employment opportunities frequently must do so by first taking a reduction in income, because he goes into the new unit at the entry level job which probably will provide lower earnings than the job which had been attained in the old unit. Thus, in the *Bethlehem Lackawanna* case the court required the company to maintain the previous level of earnings for some period of time.

The case which finally set the stage for a steel industry consent decree was a proceeding in the U.S. District Court in Birmingham, combining a pattern and practice suit brought by the Justice Department under Title VII with a number of suits filed by private individuals. In that proceeding, District Judge Pointer, having the benefit of the earlier decisions, particularly those involving the steel industry, ruled that the seniority arrangement at the U.S. Steel Fairfield Works had to be restructured. Unlike the *Lackawanna* arrangement, which in practice had not worked, plant service was to be the continuous service determinant in all cases, whether or not there were minorities involved. Judge Pointer also required rate retention, but only for certain blacks.

After the U.S. Steel *Fairfield* decision, the companies and the union were fully on notice (1) that their seniority system was susceptible to attack, (2) that courts would order it changed, (3) that the change would require the plant service be used, (4) that courts would impose the obligation of rate retention, and (5) a factor I have not yet mentioned, that courts could award back pay. On this latter score it had also been demonstrated that the union would have to share some of the financial burden, as a party to the seniority arrangement. For example, in the *U.S. Steel* decision by Judge Pointer, where some back pay was awarded, the union was required to pay one-half as well as one-half of the very substantial counsel fees awarded.

Knowing what the courts might require, and thus might accept as compliance, it then became encumbent upon the parties to meet the judicially established requirements in a way they could live with rather than have many courts impose systems in piecemeal fashion through litigation with possibly disastrous, and at least inconsistent, results.

In the summer of 1973, a committee of company and union representatives reached agreement on a restructured seniority arrangement. The new plan embodied the plant service and rate retention characteristics but retained a design which would insure the filling of jobs with competent employees. The system met the legal requirements in a fashion considered least objectionable to the employee body as a whole.

We might be inclined to pass over lightly any concern about the

attitude of employees, particularly nonminority male employees, on the basis that the law is the law and they simply have to accept change required to cope with the law. But we must remember that to the worker, seniority is a major investment, so when anybody makes a fundamental change affecting seniority rights, it has to be expected that many an employee is going to feel that somebody has taken away or reduced the value of a most highly esteemed asset. Another inescapable and sometimes overlooked characteristic of seniority is that it is a form of competition between and among employees with the certainty that for every winner there must be a loser.

I daresay it is the failure to understand the company's need to utilize seniority in a way which insures competent people on jobs and even more the failure to recognize the legitimate needs and expectations of employees that leads some well-intentioned people to argue for remedies which simply would not work.

The parties concluded that the new system would be at least minimally acceptable only if it permitted employees to remain at the outset in their same relative positions vis-à-vis one another. Promotional opportunities would come from the use of plant service in future moves, and the opportunities for improvement would be extended not only to minorities but to all employees who for whatever reason had been locked into an undesirable location. Unit seniority did not disadvantage only blacks. Whites who happened to be hired when the only openings were in the blast furnace department were also locked into that department. The use of plant service was the same as the basic change Judge Pointer had required in the U.S. Steel *Fairfield* case, differing from what had been required in the Bethlehem *Lackawanna* case only in that such service was to be used across the entire work force and not only in situations involving minorities. The parties also incorporated the rate retention device that the court had ordered, but again, with a view toward the even-handedness considered a necessary ingredient, they made it available to all employees who had been hired prior to a date after which all newly hired employees had been accorded equal opportunities for assignment and transfer.

Discussions were then entered into with representatives of the three government agencies having enforcement obligations to determine whether some arrangement could be effected under which the new arrangement would be accepted as compliance. The consent decree sprung from those discussions, but not overnight and not in the precise form the parties had worked out for themselves.

I mentioned earlier a misconception about the quality of employees needed in the steel industry. I think there is a similar misconception

about the quality of people employed by the government and their devotion to their jobs. The people the steel company and union representatives met and worked with in the development of the consent decree (a continuously changing crew, by the way) were certainly not of that stereotype. They had very definite ideas as to what was required to improve the employment opportunities of minorities and women, and they were willing to expend great amounts of time and energy to see to it that these goals were accomplished. They did not come into these discussions solely, if at all, to provide some kind of assurance to the companies and the union. Rather, they viewed this as a unique opportunity to secure significant expansion of the rights of women and minorities in an important basic industry without the enormous expenditure of time and budget that would have been required to stamp out the widespread discriminatory effects they perceived in this industry through multiple enforcement proceedings around the country.

The steel companies and the union assigned some of their top-ranked people to the negotiations with the government agencies. The meetings took almost a year, were painstaking, long, and frequently oblivious to the time of day or day of the week. The bulk of the decree finally arrived at consists of the restructured seniority agreement as worked out between the parties with additions and refinements required by the government agencies. An affirmative action program was included to increase the employment of women and minorities in trade and craft jobs. Another provision of the decree requires each company to use employee selection procedures which accord with EEOC's guidelines.

The decree provides for implementation committees at most of the approximately 250 covered locations. In addition, there is one audit and review committee which serves in an overall supervisory capacity with respect to the implementation and continuing compliance with the decree. The audit and review committee is a tripartite arrangement with the government, union, and companies (as a group) all having equal voices. Failing agreement, matters are to be brought before the court in which the decree has been entered. The audit and review committee will decide, approximately 18 months after the decree has been in effect, whether there is additional corrective action necessary at any plant or facility. A procedure also was established for the resolution of pending charges before the EEOC in the light of the consent decree.

Finally, there is a provision for back pay, because the government agencies insisted on a provision for back pay to minorities employed prior to January 1, 1968, and women hired any time prior to April 12, 1974, the entry date for the decree. A sum of approximately $31 million—apportioned among the defendants on the basis of the number

of affected employees—will be distributed in accordance with a formula developed by the audit and review committee with the desire of getting the most money to those who had presumably been most adversely affected. The defendants—the companies and the union—insisted that agreement to the provisions of this back pay be conditioned on the usual requirement that each employee accepting back pay execute a release of claims against the defendants based on allegations of discrimination occurring prior to the date of the decree.

The arrangement was hardly announced in the media before it was attacked by civil rights groups, some of whom acknowledged they had not read the decree, who claimed that it did not go far enough in providing rights for minorities and women. Support for these attacks comes principally from the NAACP Legal Defense Fund, Inc., and the National Organization for Women (NOW). The U.S. District Court in Alabama did permit intervention by certain groups who were plaintiffs in private actions against some of the companies, and by some women employees, and the case is now pending in the Fifth Circuit Court of Appeals.

While this litigation comprises a real shotgun objection to the consent decree, it essentially boils down to: (1) an assertion that the back pay should not be conditioned on the execution of the customary release; (2) a contention that the participation by the Office of Contract Compliance amounts to an abdication of that agency's obligation under Executive Order 11246, and (3) an argument that the arrangement for disposition of charges under Title VII filed with the EEOC is in violation of that Act.

It is, of course, our view and that of the union as well as the government, that the accomplishment of congressional intent through an industry-wide arrangement of this sort, with the tremendous conservation of judicial and government agency effort and time, speaks for itself. As to many of the locations where the consent decrees provided relief, probably no change could have been accomplished through litigation. Title VII has been in effect since 1965 and during that period litigation has been initiated in only a handful of cases involving only about a dozen of the hundreds of plants and facilities covered by the consent decree, and only two or three of these have resulted in any adjudication. Thus, even in those locations where some relief might have been ultimately secured, the day when that might happen was indeed distant.

Even if we had not encountered the direct attack on the decrees through intervention, we would not have been out of the legal woods. Not only do we have individual actions pending at some of the companies, but the right to bring such actions either individually or on a

class basis is not affected by the decree except as to employees who accept back pay and execute a release. Because of this, the decree requires the government to advise a court considering any such suit that inconsistent or additional systemic relief by that court is unwarranted and to point out that a mechanism exists under the decree for securing such relief as may be justified. This provision was hotly attacked by the intervenors as lining the government up on the side of the companies and unions against the employees. This is a gross distortion. The companies and the union desired this provision to minimize the inconsistencies—perhaps incompatible—that could result from different courts fashioning different relief. The government views this provision, as expressed recently by its counsel in oral argument before the Fifth Circuit, as enabling the government to protect the decree it had negotiated against dilution or distortion by some other court.

One measure of how effectively we attempted to balance the conflicting interests of the minorities and women, on the one hand, and the rest of the employees, on the other, is the extent to which we have drawn criticism from both sides. As I indicated, the clamor that we have not done enough for the affected employees was quick in coming. The objections from the other side did not take much longer. We quickly began to hear about various back-lash groups being formed to oppose the relief provided by the consent decree. Certainly this was not unexpected in view of the way the steelworker cherishes his seniority standing. Of late, the groups have begun to move into the courts, so we are fighting a two-pronged legal battle to sustain our consent decree, defending it against those who claim it does not do enough and against those who contend it does too much.

At U.S. Steel, and at the other steel companies, there is a commitment at all levels of management to the continuation and strengthening of all of our efforts to insure equal opportunities for all employees and applicants based purely on individual qualification. These consent decrees comport with that commitment, so we are equally committed to their success.

Back Pay Liability Under Title VII

ROBERT H. SAND
Allied Chemical Corporation

While much of this nation's economy is continuing to slide ever more rapidly into a deepening recession, there has been a continuing boom in the field of civil rights litigation, particularly in the area of back pay suits under Title VII.[1] Recent settlement agreements involving substantial amounts of back pay suggest that we are only now beginning to realize the full impact of the law, even though Title VII was enacted more than a decade ago. Among the more widely noted back pay proceedings are: the steel industry agreement involving approximately $30,000,000 in back pay;[2] the AT&T agreement, covering managerial employees, involving $7,000,000 in back pay and $23,000,000 in wage increases;[3] the Bank of America agreement, providing for payment of $3,750,000.[4] Except for the large number of employees involved and the very substantial sums of money being awarded, these three settlements are typical of what may well be hundreds of similar cases now working their way through the agencies and the courts.

It would be difficult to overestimate the time spent by lawyers and nonlawyers in the processing of these back pay claims. There are the compliance officers from the Office of Federal Contract Compliance and other federal agencies acting under Executive Order 11246.[5] There are the investigators, conciliators and attorneys of the Equal Employment Opportunity Commission, acting under Title VII. There are the individual employees or job applicants and their private counsel acting under Title VII and the Civil Rights Acts of 1866 and 1870.[6] In opposition, there are the employee relations staff of employers, their in-house counsel, and their outside law firms. Somewhere in between, in most instances, are the unions and their attorneys. In addition, there are often such intervenors as the NAACP and National Organization for Women.

Notwithstanding the large number of attorneys and parties in any given case, the ultimate liability will be determined pursuant to a rela-

[1] Civil Rights Act of 1964, 42 USC § 2000e *et seq.*
[2] *U.S.* v. *Allegheny-Ludlum Industries Inc. et al.* 8 CCH EPD para. 9560 (U.S.D.C. N.D. Ala. 1974). See *Monthly Labor Review* (June 1974), pp. 69–80.
[3] *Brennan* v. *AT&T* ———F. Supp.——— (E.D. Pa. 1974). See *Monthly Labor Review* (August 1974), p. 87.
[4] See *Monthly Labor Review* (August 1974), pp. 87–88.
[5] 30 Fed. Reg. 12319, September 24, 1965, as amended.
[6] 42 USC Sections 1981, 1982.

tively few legal principles. This paper addresses itself to a brief summary of these principles and more extended observations on why it has been so difficult for the contending parties to apply these principles in an expeditious manner.

The real starting point in major civil rights suits is Rule 23 of the Federal Rules of Civil Procedure. These rules establish the procedural guidelines for noncriminal litigation in the federal courts. Rule 23 allows one or more members of a class of similarly situated workers to sue as representative of the class of employees, provided there are common factual circumstances and the class is so numerous as to make it impractical for each member of the class to join the suit at the outset on an individual basis.

The plaintiffs' burden of proof in class suits has been substantially eased pursuant to a series of decisions holding that a *prima facie* case of discrimination could be established by plaintiffs by using statistics that suggest a general pattern of discrimination. The most often cited statement is "statistics often tell much and courts listen."[7] As a result, plaintiffs are spared most of the laborious and perhaps impossible task of proving that each of a large number of promotions or hirings resulted from actual prejudice.

Using these procedural and evidentiary tools, plaintiffs have established the two basic principles of substantive law which account for most of the current major suits. The first principle is that superficially nondiscriminatory barriers to employment and promotion, such as aptitude tests and education requirements, violate the civil rights acts if statistics show an adverse impact on a minority group. An exception is allowed if such practices are job related and business necessities. This principle was enunciated by the Supreme Court in 1971 in *Griggs* v. *Duke Power Co.*[8] Thus, if an employer used tests or required high school degrees prior to the effective date of the Civil Rights Act of 1964, July 2, 1965, and if these practices had a disproportionate effect on minority hiring or advancement, plaintiffs are entitled to relief. The lack of discriminatory intent is irrelevant; the courts will focus on the consequences of these practices, not their motivation.

Moreover, even employers and unions with sufficient legal imagination to abandon such practices prior to July 2, 1965 often do not escape liability. This was first suggested in *Quarles* v. *Philip Morris,*[9] where the court held that an otherwise bona fide departmental seniority system violated Title VII if its effect was to perpetuate previously aban-

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[7] *State of Ala.* v. *U.S.* 304 F. 2d 583, 586 (5th Cir), aff'd 371 U.S. 37 (1962).
[8] 401 U.S. 424.
[9] 279 F. Supp 505 (E.D. Va. 1968).

doned discriminatory practices, such as aptitude tests, degree requirements, male-only jobs, or actual segregation.[10] If a departmental seniority system discourages members of the affected class from moving into jobs from which they were previously barred, there is a continuing violation of the act.

These are the basic principles underlying most current litigation: as a matter of procedure, the availability of the class suit; as a matter of proof, the use of statistics; as a matter of substantive law, the invalid aptitude tests and education requirements and departmental seniority systems which perpetuate the effect of prior discriminatory practice.[11]

Notwithstanding the relative simplicity of the principles, the parties to these class suits generally spend many thousands of hours in ofttimes futile attempts to negotiate consent decrees. In a class suit involving more than a few hundred claimants, the parties would do well to anticipate very substantial legal costs. It would obviously be in the interest of all concerned parties to expedite settlement of these claims so that resolution takes place within months rather than years of initial charges. This would simultaneously reduce massive legal costs as well as the indirect costs in terms of time spent by management and union officials, government investigators, and the employees themselves.

An initial impediment to expeditious settlement is that proof of liability does not determine the actual damages. This problem was described in *Johnson* v. *Goodyear Tire and Rubber Co.*[12] where the Fifth Circuit said: "Our holding does not necessarily mean that every member of the class is entitled to back pay. Individual circumstances vary and not all members of the class are automatically entitled to recovery. There should be a separate determination on an individual basis as to who is entitled to recovery and the amount of such recovery."

The courts are generally agreed that while generalized statistics may be used to establish liability, the knotty question of damages for each

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[10] See also *Robinson* v. *Lorillard Corp.*, 444 F. 2d 791 (4th Cir. 1971); *Griggs* v. *Duke Power Co.*, 420 F. 2d 1225 (4th Cir. 1970), rev'd on other grounds 401 U.S. 424 (1971).

[11] In *Watkins* v. *Steelworkers Local 2369*, —F. Supp.— (E.D. La. 1974) (7 FEP 90, 8 FEP 729) the district court held that a plant-wide seniority system violated the civil rights acts when it resulted in the layoff of a disproportionate number of black employees. If this case is sustained, a new principle will have been established with very broad implications. Another judge in the same circuit has criticized *Watkins* as an unwarranted departure from the existing principles: "The Court [in Watkins] did not require a showing that the individual blacks were prevented from acquiring the necessary seniority 'by virtue of' prior discrimination, but instead imposed an absolute quota system on the plant." *Cox* v. *Allied Chemical* Corporation, —F. Supp.— (M.D. La. 1974) (8 FEP 834). See also *Waters* v. *Wisconsin Steel* 505 F. 2d 1309 (7th Cir. 1974).

[12] 491 F. 2d 1364 (1974).

individual plaintiff is a question of individual fact for each claimant. This is a massive project. It entails reconstruction of employment, wage rates, progression, layoff, and promotion patterns for what may be hundreds of employees over a period of years. In addition, the employer may wish to develop additional evidence to mitigate damage, questioning the qualifications of each member of the class and the actual willingness of each class member to accept a higher paid position.

As an alternative, plaintiff's counsel normally suggests the use of a formula whereby each class member will receive the difference between his or her earnings and those prevailing in the remainder of the bargaining unit. While this is an attractive shortcut, it is generally looked upon with disfavor by opposing counsel since it rejects a number of factors which would produce substantially lower liability: (1) it does not take into account the fact that job openings may not have been sufficient, during the period of violation, to allow all class members to move up; (2) in comparing class earnings to a white or male average, the formula overstates liability since it does not account for the likelihood that the lower paid jobs would, in any event, have been filled; i.e., plant average (not white average) might be the better basis for comparison; (3) the formula does not allow for the possibility that certain plaintiffs may be unwilling or unable to qualify for higher paid jobs.

However, delays in reaching settlement are only partially explained by the need of all parties to develop a data base and formulas upon which both liability and damages can be discussed more realistically. The delays also reflect the preconceptions of the parties and the resulting failures of communication. Without suggesting that any particular bias is a universal characteristic, some general observations can be ventured.

In dealing with employers, it may be helpful for plaintiffs to remember that management's abilities and attitudes will vary from company to company and from level to level within a company. Undoubtedly management can do much to improve its own sensitivities, including better training of local and middle management in the requirements of the law. Settlement discussions can be expedited by moving informed, responsible executives and attorneys into the proceedings at the earliest possible moment, certainly no later than the filing of a charge with a government agency. Moreover, management will have to recognize that these suits involve substantial sums of money and that delay due to failure to recognize the scope of the liability will only add to that liability.

Turning to union participation in these suits, it is apparent that union leaders have become increasingly aware of their exposure to back

pay liability under Title VII,[13] and this has contributed to a more realistic and explicitly involved position in settlement discussions. Here too there may be room for improvement. But these suits place union leaders in a difficult political situation, ofttimes caught between the justified demands of a minority of their membership and the sincere, if legally ill-advised, desires of a majority. The position of union leadership is particularly difficult in these cases, since most settlement agreements involve modifications to the seniority provisions of the labor agreement affecting promotional opportunities and layoff protection.

In the current climate of rank-and-file discontent, it may not be realistic to suggest that part of the solution is a greater willingness on the part of union leadership to take unpopular positions. Perhaps it might be suggested that union leaders might make better use of their counsel, allowing the union's attorneys increased opportunity to discuss the law in this area with the membership.

Turning to plaintiffs' counsel, their ability to expedite settlement is often inhibited by a lack of information, particularly data on wage rates, earnings, employee qualifications, and promotions. While plaintiffs often demand too much data, it is also true that settlements can be expedited if management were more forthcoming.

Once plaintiffs' counsel receive sufficient data to permit realistic negotiations, they are often hindered by the unrealistic demands of their clients. This is not a new problem for union leaders. But plaintiffs' counsel rarely have experience in collective bargaining and, therefore, the problems of "selling the agreement" to a large group of rank-and-file workers that are familiar to union leaders are painfully new to public interest lawyers. Unfortunately, experience is not readily taught and charisma not easily acquired.

If plaintiffs' attorneys are sometimes hampered by the unreasonable demands of their clients, it is also true that they are sometimes hindered by the unreasonable goals they set for themselves. In particular, there is sometimes a desire to obtain "the going rate" to settle back pay claims, even though the facts of the immediate case may not be as strong as those that gave rise to a recently published decision that may or may not have established a pattern for Title VII settlements in the area.

Turning to the EEOC, I believe the process of settlement negotiations would be considerably shortened if the EEOC's conciliation process were somewhat more akin to other conciliation processes. Conciliation normally assumes that agreement lies somewhere between the positions

[13] *Johnson* v. *Goodyear Tire and Rubber Co., supra* note 12.

of the parties. In marked contrast, EEOC conciliators frequently take the position that a settlement can be reached only on the basis of the position of the charging party. If the employer or union wish to settle a charge, they must calculate back pay by assuming that all of the charging parties factual and legal contentions are true. Suffice to say, this is often unrealistic and, as a rule, not conducive to a successful conciliation process.

All of these problems are compounded by what might be characterized as a "generation gap" between union and management representatives, on the one hand, and government and employee counsel on the other. In part, this is an actual age differential, but it is also a difference in viewpoints more related to outlook than age. The opposing parties often approach civil rights suits with very different conceptions as to the purpose of a lawsuit and, as a result, of their roles and responsibilities in the process. Defendants are apt to view civil rights suits from a more traditional point of view: dealing with them on a case by case basis, trying to narrow the issues, and generally willing to at least explore settlement on a presumed middle ground. On the other hand, civil rights plaintiffs are apt to be activists who view each case as part of an on-going movement, and thus are apt to consider any narrowing of the issues as a retreat and any settlement as a compromise of principle.

Nevertheless, I remain optimistic as to the ability of the various contending parties to increase their appreciation of the problems and perspectives of their adversaries. I believe the parties can recognize that there is room and need for compromise. I also believe that there will be increased recognition as to the limitations of the judicial process which is, after all, not a panacea. But I believe that we will have to recognize that much of our earlier optimism concerning progress under the Civil Rights Act of 1964 was based upon economic assumptions of a robust and expanding economy. Unfortunately the economy is neither robust nor expanding.

As a result, I fear that in the months ahead even greater strains will be placed upon the judicial process as Title VII suits are used in difficult economic circumstances in a necessarily redoubled effort to redistribute jobs and income. This does not mean that we should despair at the prospect of more suits, more novel theories, and more attempts to reach settlement agreements. It simply means that we will all need to try harder.

Title VII Disputes: Impact of the Gardner-Denver Case

GARY R. SINISCALCO
Equal Employment Opportunity Commission

In February of this year, the Supreme Court rendered a unanimous opinion in *Alexander* v. *Gardner-Denver Co.*[1] The question presented was, "Whether, by invoking the grievance-arbitration procedures of a collective bargaining agreement which are pursued to termination by his union, an employee waives his right under Title VII of the Civil Rights Act of 1964 to bring suit in federal district court for employment discrimination." The Court held that prior submission of a claim to final arbitration under the nondiscrimination clause of a collective bargaining agreement does not foreclose an employee from subsequently exercising his right to a trial *de novo* under Title VII.

The impact of this case on the resolution of Title VII disputes is manifold. One of the primary concerns is whether or not the decision sounds the death-knell for arbitration, generally, or with respect to only Title VII matters. Of perhaps more general concern is whether the Court has severely restricted nonjudicial attempts to resolve Title VII disputes prior to litigation in a federal district court.

It is important to first understand the Court's clear rejection of the view that an employee's statutory right to submit his claim to a federal court is subject to the election of remedies doctrine. Thus, Justice Powell explains: that:

> "In submitting his grievance to arbitration, an employee seeks to vindicate his contractual right under a collective-bargaining agreement. By contrast, in filing a lawsuit under Title VII, an employee asserts independent statutory rights accorded by Congress. The distinctly separate nature of these contractual and statutory rights is not vitiated merely because both were violated as a result of the same factual occurrence. And certainly no inconsistency results from permitting both rights to be enforced in their respectively appropriate forums."

On the question of prospectively waiving one's statutory rights, Justice Powell concludes:

> "There can be no prospective waiver of an employee's rights under Title VII. It is true, of course, that a union may waive certain

[1] 94 S. Ct. 1101 (1974).

> statutory rights related to collective activity, such as the right to strike. *Mastro Plastics Corp.* v. *NLRB,* (29 LC para. 69,779) 350 U.S. 270 (1956); *Boys Markets, Inc.* v. *Retail Clerks Union,* (62 LC para. 10,902) 398 U.S. 235 (1970). . . . Title VII, on the other hand, stands on plainly different ground; it concerns not majoritarian processes, but an individual's right to equal employment opportunities. Title VII's strictures are absolute and represent a congressional command that each employee be free from discriminatory practices. Of necessity, the rights conferred can form no part of the collective-bargaining process since waiver of these rights would defeat the paramount congressional purpose behind Title VII. In these circumstances, an employee's rights under Title VII are not susceptible to prospective waiver. See *Wilko* v. *Swan,* 346 U.S. 427 (1953)."

The statutory scheme provides for consideration of employment discrimination complaints in several forums. It is conceivable, therefore, that on the same facts an employee can subject an employer to proceedings: (1) in a grievance through to arbitration; (2) before the National Labor Relations Board; (3) before a state or local fair employment practices commission, if one exists; (4) before the EEOC; (5) before the Department of Labor (Wage & Hour Division in equal pay cases); and (6) as defendant in an action in federal district court under the NLRA, Equal Pay Act of 1963, and Title VII, and depending on the facts and issues, under various Executive Orders, or the earlier Civil Rights Acts of 1866 or 1871. All of this is possible even where the complainant has lost on the merits in each of the five nonjudicial forums.

Losing on the merits during the above proceedings should be distinguished, however, from those cases where the grievant prevails or otherwise reaches a voluntary settlement with the employer. While the grievant could still bring suit, judicial relief can be structured to avoid any windfall gains. Thus if initial relief were granted in the terms of Section 706(g), and the individual or the class were awarded "such affirmative action as may be appropriate, which may include . . . back pay," a court could decline to grant further relief and probably no suit would have been brought in the first place.[2]

In sum, the Court concluded that "Title VII was designed to supplement, not supplant, existing laws and institutions relating to employment discrimination" without an employee forfeiting his private cause of action.[3] This private right was so clearly intended by Congress that

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[2] *Id.,* at footnote 14 and cases cited therein.

[3] *Id.* See also *Sanchez* v. TWA,——— F.2d———, No. 7-1820 (10th Cir. 1974); *Strittmatter* v. *Goodyear Tire and Rubber Co.,* 496 F.2d 1244 (6th Cir. 1974).

not even a finding of no probable cause by the EEOC itself could preclude an employee's right of recourse to the federal courts.[4] Indeed, the Commission had found no reasonable cause on Mr. Alexander's complaint.

As to whether this decision sounds the death-knell for arbitration, I think the answer is in the negative since, as the Court itself noted, the primary incentive for an employer to enter into an arbitration agreement is the union's reciprocal promise not to strike. In the Court's view, and in ours, pursuit of Title VII remedies can go hand-in-hand with a proceeding under arbitration.[5]

There is much to be gained for an employer by still agreeing to handle employment discrimination complaints through the grievance process. Even though the Commission is making every effort to reduce a backlog of approximately 95,000 charges, the time for processing a charge through EEOC is anywhere from 12 to 36 months. Some cases presently in court were originally filed with EEOC five or six years ago. During this time back pay liability has continued to build up, not to mention costs and attorneys fees for the employer's attorney, as well as to plaintiff's counsel should he or she prevail. Even the employee would be more willing to consider early discussion or some expedited way of resolving a complaint if he or she knew that the decision to attempt such early resolution would not require a complete and absolute waiver on his or her part of other statutory rights prior to knowing the outcome of any such determination.

It would appear, therefore, that an employer has much to gain and little to lose in exploring every possible avenue to reach the merits and perhaps settle the claim at an early stage. Even if, as in *Gardner-Denver,* the complainant proceeds further, a record has been established which may be admissible in court (or to the EEOC) and may be accorded such weight as may be deemed appropriate.[6]

Although, based on *Gardner-Denver,* the Commission is unwilling to become signatory to any agreement which purports to bind aggrieved parties to some form of binding arbitration, it has moved, on several fronts to develop mechanisms for resolving disputes at various early stages. The primary one, of course, is being developed with state and local fair employment practice agencies. Under this procedure, stan-

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[4] See *McDonnell-Douglas Corp.* v. *Green,* 411 U.S. 792 (1973).

[5] *Sanchez, supra* note 3.

[6] See footnote 21 of the Court's opinion in *Gardner-Denver, supra* note 1, for suggestions as to relevant factors to be considered by a district court. See also *Franks* v. *Bowman Transportation Co.,* 495 F.2d 398 (5th Cir. 1974); cf. *Smith* v. *Universal Service, Inc.,* 454 F.2d 154 (5th Cir. 1972), for discussion of the admissibility and weight to be accorded by the court of the EEOC record.

dards of investigation and relief will be developed with these agencies and, where Title VII standards have been met, the agency's investigation and/or the relief afforded will be accorded substantial weight by the EEOC. Internal mechanisms have also been developed with a number of employers as part of conciliation agreements or consent decrees. These procedures generally envisage an employer being given a copy of a charge to make an initial investigation and, where appropriate, offer relief commensurate with Title VII standards. The findings and proposals are then submitted to the Commission. Those cases not settled through this expedited process would revert to the Commission for normal processing.

While the Commission is actively seeking various ways to quickly and expeditiously resolve disputes, it must and will ensure, however, the full availability of the EEOC and, ultimately, of the federal courts in determining Title VII rights.

Epilogue

On November 19, 1974, the district court, having held a trial *de novo,* issued its findings and order on the merits of Alexander's complaint. Having considered all the evidence, the court concluded that the discharge was not racially based.[7]

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[7] *Alexander* v. *Gardner-Denver Co.,* ———F. Supp.——— (No. C-2476, November 19, 1974), *Daily Labor Reports,* BNA, November 29, 1974.

The Need for Expanded EEOC Conciliation Efforts Under Title VII

WILLIAM E. POLLARD
Department of Civil Rights, AFL-CIO

At the outset I would like to state two very simple themes: One is that the AFL-CIO and its 110 affiliated unions are fully and completely irrevocably committed to the task of rooting out every vestige of discrimination against any human being in every area of American life. That needs to be stated because there are those who falsely claim that unions do not desire to comply with Title VII of the Civil Rights Act, and that therefore they should be treated as enemies instead of allies in the fight for justice in the workplace. It is our belief that that attitude has infected the policies and procedures of the Equal Employment Opportunity Commission.

My second theme is that the cause of equal rights on the job and in the union hall is being set back and damaged as a result. The labor movement not only supports Title VII, but it played a major and even decisive role in putting it on the books. Our unions not only support equal rights, but they have taken more substantive, affirmative action to make equal rights a reality than has any other institution. The AFL-CIO and its affiliates have not only passed resolutions and adopted policies declaring that discrimination must cease, but they have created today's most effective methods and machinery to end discrimination. Unfortunately, problem-solving machinery is not being fully used. It is being ignored and bypassed by the EEOC in favor of litigation and punishment, rather than solutions, compliance, and timely justice for the persons who are seeking justice.

Labor's fight for a national fair employment practices law dates back to 1942 and A. Philip Randolph's March on Washington Movement. That movement, with the help and support of the AFL and the CIO, induced President Roosevelt to issue Executive Order 8802, banning discrimination in defense plants. In that session of Congress and in every session over the next two decades, Fair Employment Practice legislation was introduced with the full support of the labor movement.

In 1949, labor helped organize the Leadership Conference on Civil Rights, and labor has been one of the hardest-working affiliates of that organization ever since. In 1955, when the AFL and the CIO merged,

one of the first acts of the new organization was to create a constitutional Department of Civil Rights, which neither predecessor organization had, to work inside and outside the labor movement to strengthen the civil rights of union members and all Americans. That meant merging segregated local unions. It meant opening up union membership without regard to race, color, religion, or national origin. It meant bringing minority youngsters into apprenticeship programs. It meant using every bit of moral persuasion and clout the AFL-CIO could muster to set labor's own house in order, as well as fighting for national legislation.

In 1963, it was President George Meany of the AFL-CIO who urged both the House and Senate to include a "Fair Employment" title in the Civil Rights bill then under consideration. As President Kennedy sent the bill to the Congress, it contained no such title. But President Meany told Congress that this title was the one that gave meaning to all the others. He said:

"Equal education has meaning only for those Negro children whose parents can afford to keep them in school, or for the young Negroes who can afford to finish out their apprenticeships. . . . Equal access to housing has meaning only for those who can afford to buy. . . . Equality in places of public accommodation is relevant only for those with money to spend. . . . So it seems to us in the AFL-CIO that the vital issue, the chief among equals, is jobs."

He recalled labor's long legislative fight for equal opportunity laws. He pointed out that equal opportunity was written into the AFL-CIO constitution and was supported time after time by Convention and Executive Council action, and he insisted that equal opportunity be put on the statute books and that the law be applied to both employers and unions.

Mr. Meany told Congress, "We need the force of law to carry out our own principles." We need it, he said, "primarily because the labor movement is not what its enemies say it is—a monolithic dictatorial centralized body that imposes its will on the helpless dues payers. We operate in a democratic way, and we cannot dictate even in a good cause. So we need a federal law to help us do what we want to do—mop up those areas of discrimination that still persist in our own ranks."

When Congress passed the historic Civil Rights Act, including Title VII dealing with equal employment opportunity, that was signed into law by President Lyndon B. Johnson on July 2, 1964, President Meany immediately called a national conference of AFL-CIO presidents to discuss our all-out support for implementation of the law, with special emphasis on Title VII. Among those he invited to address this import-

ant gathering were Roy Wilkins, Executive Director, NAACP; the late Whitney Young, then Executive Director, Nation Urban League; and A. Philip Randolph, then a member of the AFL-CIO Executive Council.

Mr. Meany asked each international union president to assign a single person from his organization who would be responsible for working with our Civil Rights Department and the Equal Employment Opportunity Commission to implement Title VII. Regional conferences were held to acquaint local union leaders with their responsibilities under the law. Thousands of pieces of literature were printed and distributed nationwide among our affiliates.

The director and staff of our Civil Rights Department met with and worked out a compliance agreement with Franklin D. Roosevelt, Jr., EEOC's first chairman. Under this agreement, the AFL-CIO affiliates and our department were to receive copies of charges naming our locals as respondents. This was designed to put the unions and our Civil Rights Department on notice of the problems.

We developed, in time, a workable mechanism that was both helpful to EEOC and the unions, with the result that many charges were resolved speedily and equitably. We sent our staff members to the site of the problems to participate with the EEOC in conciliation conferences. We kept up a constant dialogue with both our affiliates and their locals with a view toward assisting them in the resolution of charges. Day in, day out, we pushed our local unions toward compliance with the FEP clauses in the constitutions of the AFL-CIO and the international unions. We urged them to revise their bylaws, to revise their collective bargaining agreements, and to take affirmative action to comply with Title VII without waiting for charges to be filed.

This effort hasn't been perfect and it isn't finished. There are still about a sixth of one percent of AFL-CIO local unions that remain structurally segregated, and we do not intend to rest until there are none at all. Even so, at this point it is safe to say that there is less segregation in the trade union movement than in any other institution in America, including the schools and universities, the churches, the professional associations, the civic and fraternal groups, the executive and judicial branches of the government, the Senate and the House of Representatives.

At the same time, through our apprenticeship and journeyman Outreach programs, we have made considerable progress in bringing minority workers into union membership. The Outreach programs in the building and construction trades have launched more than 40,000 minority workers on new careers just during the last three years,

at a time when unemployment in construction has been running from 10 to 14 percent. The placement rate is still rising, but it can't continue to do so as long as unemployment keeps rising at its present disastrous rate. Only a general improvement in the economy, and a fundamental change in national manpower policy, can keep Outreach alive and growing.

There have been quite a few problems in the EEOC itself over the last 10 years. It has had five chairmen and at least that many changes in executive directors and general counsels. All the top personnel turned over again and again. Compliance procedures have undergone constant changes. The EEOC's budget and staffing have been grossly inadequate. Congress refused to grant the EEOC the cease-and-desist powers it needed, and the right to sue for compliance that was granted in the 1972 amendments of the Act has been a poor substitute. We in labor have never felt that our work alone, or the EEOC's procedures alone, were sufficient to do the job. We have constantly suggested new approaches and improvements to speed up the compliance process. The commission has picked up or refined quite a few of our ideas and put them to good use. Others it has rejected.

Since the beginning, two basic problems have plagued the relations between the AFL-CIO and the EEOC. First is EEOC's failure to send notice of all charges to all AFL-CIO affiliates within a short period of time after filing by the charging party where the union is a respondent. The second is that there is too little effort on the part of the commission to engage in conciliation conferences. If we are to utilize the machinery that we have developed to assist in the implementation of Title VII, all AFL-CIO unions and our department must receive a copy of the actual charge at the earliest possible date where an affiliate is a respondent.

Of our 60,000 local unions, three-fifths are not manned by full-time personnel. In most instances, the officers of these locals are men and women who work on a job in a plant or shop and are able to spend only limited time on union activities. Those local officers need the help of our department and their international union EEO representatives. And if we are to give the help they need, we need to know what the charges are. To get our problem-solving machinery working, the EEOC should send copies of any charge as soon as it is filed to the AFL-CIO Civil Rights Department and the international union, as well as to the respondent local. Then we could sit down with the union and the company and go after a remedy, if one is justified. But the EEOC, as it operates today, doesn't give us that opportunity. It doesn't even tell the respondent local initially what the actual charge may be. The current Form 131 the EEOC uses is completely inadequate.

But it wouldn't take the EEOC clerk a minute more to send an actual copy of the charge itself.

We are wedded to two ideas if expanded conciliation is to become a reality. One, a charge has a great chance for resolution if the respondent is notified of all details as quickly as possible after a charge has been filed by the complainant. Two, conciliation conferences are essential to mass compliance, and such efforts give a fair opportunity to the respondents to fashion and propose a remedy before the commission seeks compliance through the courts. No respondent should be denied notice or hear of a charge for the first time when it receives a copy of the complainant's petition that was filed in the U.S. District Court.

Voluntary compliance is a necessary tool that the Commission should use unhesitatingly not only to resolve the massive backlog of cases but in everyday operations. We are not suggesting, in the least, this is a substitute for adequate law enforcement. But those of us who deal in the day-to-day employer-employee relations under collective bargaining procedures know very well the need and requirement to give notice within a prescribed limited time frame as provided by the agreement. When we are unable to reach a settlement at the initial step, we proceed to step two or three or four and then to arbitration, if necessary.

The EEOC should recognize after a decade of receiving charges from complainants that the majority of such charges, where unions are involved, are grievances—grievances that were not referred to the union for handling or grievances against the union for allegedly failing to properly represent the charging party. When a union proceeds to arbitration, the final step under the union contract, it is sometimes charged with failing to properly represent the charging party simply because the charging party does not agree with the arbitrator's decision.

We are fully aware of the U.S. Supreme Court's decision in the *Alexander* v. *Gardner-Denver* case. In this instance, the Court held that a charging party's right to sue was not barred because of the arbitrator's decision in deciding Title VII cases. We have no quarrel with that, but we do not relish the idea of the Commission or the complainant alleging that the union "failed to properly represent" because we lost an arbitration decision.

The National Labor Relations Board, an agency that has been in existence for years, has long had the authority to seek resolution of complaints through court action. But it doesn't dump all its problems on the courts. The NLRB constantly uses informal conferences in settling its cases rather than clogging the courts with them. We think the EEOC with its 32 district offices should become beehives of activity in

the conciliation process. If conciliation fails and the union proves recalcitrant and fails to comply with the law, the EEOC can and should use the "big stick" of a lawsuit. But it should be the weapon of last resort. Jumping into an adversary posture often does more to delay justice than to secure it.

I know of a case still in litigation, even though the original charges were filed in 1967. Think of it! Seven years of dithering—and now a court suit involving a back-pay settlement of six figures, even though the basic problems were corrected and solved long ago. We say relief should be sought for the charging party as quickly as possible. It is unfair and irresponsible for the Commission to seek to assess respondents, whether employers or unions, with exorbitant back-pay awards simply because of delays caused by the snail-like pace of the EEOC itself. The monetary liability would diminish if the EEOC were to recognize the need to proceed in a uniform, orderly fashion throughout its 32 districts, and with greater dispatch.

The EEOC is facing a mountain of unresolved complaints. There is a backlog of more than 100,000 separate complaints, and that backlog is growing. More than 100,000 people are waiting for justice, and they will have to wait entirely too long unless the EEOC changes it ways and moves toward conciliation processes.

The AFL-CIO Civil Rights Department has been trying hard to improve our original agreement with the EEOC, even though that agreement has been all but ignored in the last 4½ years. At the request of EEOC Chairman John Powell, we spent many weeks of joint negotiations with the Commission's staff in an effort to reach a formal agreement designed to get at the backlog and current cases without jeopardizing the right of the charging party. We reached such an agreement and we believe it is a good one. It was approved by the AFL-CIO Executive Council. And then the EEOC commissioners rejected that agreement. They rejected it without an explanation or any kind of proposal to replace it. This we sincerely regret, but we remain hopeful that the Commission will recognize the need to expand conciliation if Title VII is for the EEOC to show some success, rather than just to keep building

At the moment, more and more minority workers are losing faith that Title VII has any real meaning or that the EEOC is a credible agency for resolving their problems. The only way to restore credibility is for the EEOC to show some success, rather than just to keep building higher and higher legal logjams. Fortunately, under Mr. Powell's leadership, there are signs that the EEOC is beginning to recognize that conciliation should take precedence over the judicial process. If this ray of hope continues to grow, the preposterous overload of the court

system will end, and the people who want and need justice will get justice, instead of delays of justice and denials of justice.

I believe that as the voluntary process is used, employers and unions will take on a pride of a compliance and that management and union officials at all levels will work to keep in step with the letter and the spirit of the law. If that happens, a climate of compliance will take root throughout the world of work that does not now exist. The AFL-CIO will continue to do everything in its power to help bring that day as quickly as possible. Through no fault of ours, it has already been too long delayed.

IX. ECONOMETRICS AND LABOR MARKET ANALYSIS

Empirical Work on the Labor Market: Is There Any Alternative to Regression Running?

BARBARA R. BERGMANN
University of Maryland

The theoretical literature of recent years has significantly changed our thinking on labor market phenomena. Previously, attention had for the most part been focused on the balance of supply and demand for labor of various types, but recent work has drawn attention to the possible importance of the search process in wage determination and as a possible contributor to the determination of the unemployment rates.[1] Whatever one's view of the probable magnitude of the influence of the search process in the determination of wages and unemployment,[2] it is clear that labor market models have grown more realistic and more complicated. Econometric work on the labor market should reflect the increase realism and complexity of our thinking, but it is becoming increasingly obvious that it is difficult to do this effectively within the framework of linear regression. This paper summarizes an alternative way of setting up and performing empirical research on the labor market—a microsimulation model which takes account of the supply-demand balance in the labor market as well as the nature of the search

[1] See papers by Charles C. Holt and Dale T. Mortensen in E. S. Phelps and others, *Microeconomic Foundations of Employment and Inflation Theory* (New York: Norton, 1970). Papers which contain empirical work as well as theoretical contributions include Ralph E. Smith and Charles C. Holt, "A Job Search–Turnover Analysis of the Black-White Unemployment Ratio," in *Proceedings of the Twenty-Third Annual Meeting*, Industrial Relations Research Association, ed. Gerald G. Somers (Madison: The Association, 1971); M. S. Feldstein, *Lowering the Permanent Rate of Unemployment* (Washington: Joint Economic Committee, 1972); George Perry, "Unemployment Flows in the U.S. Labor Market," in *Brookings Papers on Economic Activity* (2: 1972), pp. 245–278; Robert E. Hall, "Turnover in the Labor Force," *ibid.* (3: 1972), pp. 709–756; Nancy S. Barrett and Richard D. Morgenstern, "Why Do Blacks and Women Have High Unemployment Rates?" *Journal of Human Resources* 9 (Fall 1973), pp. 452–464.

[2] It is the view of the present writer that the claims of large effects with respect to unemployment, at any rate, are probably considerably exaggerated.

process. The model is implemented with monthly macroeconomic data from the period 1969–1973, and is used to explain changes in unemployment rates and in average durations of unemployment.

Setting up a Microsimulation of the Labor Market

In a microsimulation model we follow fictional individuals through time, as they go in and out of the labor force and as they go in and out of employment. A worker's history and characteristics influence his chances and his behavior, and the computer retains a memory of relevant portions of that history which allows us to model these effects. The behavior of employers may similarly be modelled. Our interest centers, of course, not in what happens to particular fictional individuals, but in the behavior of macroeconomic magnitudes which sum up the experience of the individuals in the labor market.[3] Just as the Bureau of Labor Statistics surveys the real labor market monthly and produces data on unemployment rates and durations, so a computer subroutine periodically surveys the computer memory, "asking" the same questions the BLS agents do, summing up the results similarly, and delivering them as computer output. The validation of the microsimulation consists in seeing whether the output of such a model, through the selection of appropriate parameter values, can be made to track actual labor market data through time, given inputs of exogenous information.[4]

The core of our microsimulation consists of parallel representations—one of the supply side of the labor market (workers and potential workers), and the other of the demand side of the market (job slots, some of which are occupied and some of which are vacant but which employers would like to fill). In Figure 1, the top row of circles represents persons; the number under each circle represents the ID number of the person, and the number in the circle gives the person's labor force status. To the left of the single vertical line are persons who are employed, and the number within each circle contains the ID

[3] The thought of Guy Orcutt has pioneered in this field. The current work of him and his group is described in "Microanalytic Simulation for Policy Exploration," Working Paper 509-5 (Washington: Urban Institute, 1974). Previous microsimulation in the labor field include Barbara R. Bergmann, "Labor Turnover, Segmentation and Rates of Unemployment: A Simulation-Theoretic Approach" (College Park: Project on the Economics of Discrimination, University of Maryland, August 1973); Donald A. Nichols, "Simulating Labor Market Equilibrium," Institute for Research on Poverty Discussion Paper (Madison: University of Wisconsin, Institute for Research on Poverty, February 1974).

[4] Hyman B. Kaitz, "Analyzing the Length of Spells of Unemployment," *Monthly Labor Review* 93 (November 1970), pp. 11–20, makes the distinction between published durations of uncompleted unemployment spells and the durations of completed spells. The latter seem to be the most convenient for use in analytic theories of the labor market. In our simulation, we may output either of these with equal ease. We chose to output the former because this is the way the BLS data are figured.

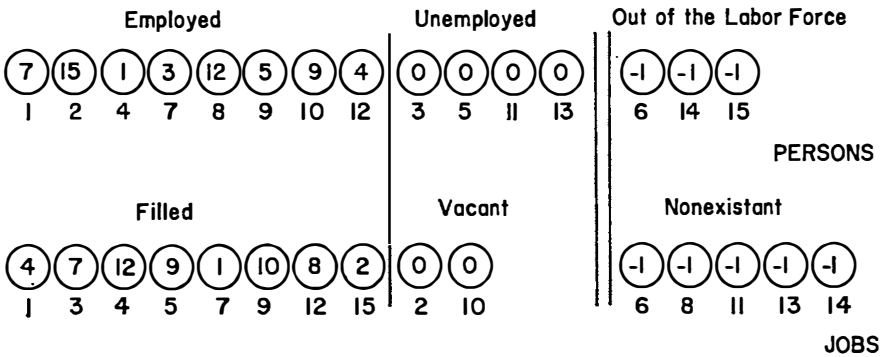

Figure I. Characterization of Status of Persons and Status of Jobs.

number of the job slot that person is occupying. Circles between the vertical single line and the vertical double lines represents persons who are unemployed; this is indicated by a zero in their circle. Persons to the right of the double line are not presently in the labor market, and this is indicated by -1 in their circle. Job slots are treated entirely analogously: Some jobs are occupied (marked by the ID of the occupying person); others are vacant but looking for workers (marked 0), others are presently nonexistant or "not in the labor market" (marked -1).[5]

We may characterize the supply-demand balance in the labor market at any time by counting the number of persons to the left of the double line (the labor force), and by counting the number of slots to the left of the double line (which we may call "total jobs"). The division of total jobs into filled jobs and unfilled vacancies and the related division of the labor force into employed and unemployed depends on the behavior of the workers who are looking for jobs and the behavior of the employers with vacancies they want to try to fill. The number of separations and of recent labor force entries also affects these divisions. Thus the influences of the supply-demand balance and the influence of the search and separation behavior can be studied in an integrated way.

Operation of the Model

Our model has been scaled to represent a maximum of 2300 persons in the labor market. Monthly unseasonalized data on total U.S. civilian labor force are scaled down to determinie the numbers of persons in the model's labor market at any point in time. While there is no direct time series information on total jobs, vacancy rates were avail-

[5] In the computer, a circle represents a memory space, the number in the circle represents the numerical value stored in that memory space, and the number below the circle is part of its "address" in the computer memory.

able for the years 1969 through 1973,[6] and we can deduce total jobs from the following equation:

$$\text{total jobs } (1 - \text{vacancy rate}) = \text{labor force } (1 - \text{unemployment rate}) = \text{employment}$$

The labor market "meets" 22 business days per month, which allows us to make all behavior recursive and to eliminate simultaneity.[7] On every business day, the following actions occur:

Step 1. *The number of job slots is adjusted* to levels indicated by the macrodata. If the number is slated to increase, this is done by finding slots whose status is "−1," and changing that status to "0." If the number of slots is slated to decrease, some of the slots which are randomly chosen to disappear may currently be occupied, in which case the worker involved is separated and becomes unemployed.

Step 2. *The size of the labor force is adjusted* in accordance with the macrodata. If the labor force is to increase, persons currently out of the labor force with status "−1" are chosen randomly, and their status changed to "0." If the labor force is to decrease, the appropriate number of unemployed people are chosen, each randomly, and their status changed.

Step 3. *Some persons who are employed decide to try to change jobs.* The number of new persons who do so is set by a linear function of the published quit rate[8] for that period. The appropriate number of persons, each of whom is chosen randomly, is selected and their decision is marked by noting the date of their decision in a "search" array. (Those persons not searching have an "0" in their spot of the search array.) The persons chosen do not quit; they search for another job (in step 4 below) and quit their present job when they find one.[9]

Step 4. *The hiring process occurs.* Those involved are employers with job vacancies, all unemployed workers, and those employed workers who have on this or previous days made the decision to change jobs. For each job vacancy, "interviews" are held. Searching workers are chosen at random to come to an interview. The probability that a worker would be willing to accept a job offer is an increasing function

[6] Although published vacancy rates are based on surveys of manufacturing industries, we have assumed that these rates apply to the civilian economy.

[7] The first five days of the month constitute the "survey period," in which the total jobs and the labor force are set to conform to the monthly published data. For the rest of the month, total jobs and the labor force size are trended toward values derived from next month's actual data.

[8] In order to limit the number of parameters, the intercept was set at zero. The same ratio used on the quit rate was used on the total separation rate.

[9] However, such persons may be separated before finding another job, in Step 5. The data indicate that about 20 percent of the unemployed have quit jobs.

of the amount of time he has been searchinig.[10] The probability that an employer is willing to offer a job slot to a worker is an increasing function of the time the job has been vacant and of the worker's "employability grade."[11] Random numbers are drawn to determine whether the job offer is made, and whether it is accepted. If the accession occurs, appropriate changes are made in the worker's status variable and in the job's status. The number of interviews allowed for each vacant job slot is a fraction of the number of searching workers. If, after the maximum number of interviews has occurred a job is still unfilled, it remains vacant and is involved in the search process the following day.

Step 5. *Additional separations occur.* The total number of separations which occur is made to depend linearly on the separations data for the time period.[12] Some separations may have already occurred in Steps 1 and 4. If more separations are called for, the appropriate number of employed persons, each of whom is randomly chosen, leave their jobs.

Step 6. *Some unemployed people leave the labor force.* The gross flow data seem to indicate that in any particular month about 16 percent of the unemployed persons leave the labor force.[13] Some people may have already left the labor force under Step 2. The remainder who do so are randomly chosen. However, since the labor force has already been adjusted to the size indicated by the macrodata in Step 2, each of those who leave in this step is replaced by a new entrant. The net effect is to replace someone who has been searching for some time by someone who has just started his search, and is therefore less likely to accept a job offer in the next few days.

The persons who have become newly unemployed in Steps 5 and 6 start their participation in the search process on the following day and continue searching until they find jobs or leave the labor force.

Once a month, for a period of five "days," the simulated labor market is surveyed after Step 6, and the number of unemployed persons is recorded. For each unemployed person, the length of time he has been looking for work is also recorded. The returns of the five days are averaged, and the computer prints out simulated monthly unemploy-

[10] Probability of a worker's acceptance $= 1 - A(1)^D$, where $A(1)$ is a parameter and D is the number of days the worker has been searching.

[11] Probability of employer's making an offer $=$
$$1 - A(2)^{d + A(3)(\text{worker's employability grade})},$$
where $A(2)$ and $A(3)$ are parameters, and d is the number of days the job has been vacant. Employability grades were assigned to have the same variance as the distribution of average durations reported by age and sex in the fall of 1972.

[12] See footnote 8.

[13] See Ralph E. Smith, "Dynamic Determinants of Labor Force Participation: Some Evidence from Gross Change Data," Urban Institute Working Paper 350-49 (May 1973).

TABLE 1
Fitting to the Data

Parameter:	Set at:	Explanation:
A (1)	.950*	Controls the rate at which the probability that a searching worker will accept a job offer increases with an additional day of unemployment (see footnote 10).
A (2)	.950*	Controls the rate at which the probability that an employer will accept a candidate increases as a job is vacant an extra day (see footnote 11).
A (3)	.310	Controls the importance with which workers' employability grades affect employers' probability of hiring (see footnote 11).
A (4)	.090	The proportion of all searching workers who may be interviewed by a firm in one day.
A (5)	.850	The assumed ratio of quit and separation rates in the economy to quit and separation rates in manufacturing.

R^2 Simulated vs. Actual Values

Period	Unemployment Rates	Average Durations
April 1969–Nov. 1973	.928	.588
June 1970–Nov. 1973	.938	.817

* The values of these parameters were set initially and not changed in seeking an improvement in the fit to the data.

ment rates and simulated monthly average durations of unemployment, which can be compared with actual data.

Fitting Parameters to Track the Data

The model contains six parameters, which are listed in Table 1. The parameter values which produced the runs shown in Figures 2 and 3 were found by a search process which involved running with successive vectors of trial parameters values, and moving in directions which previous trials had indicated would reduce the sums of the squares of the errors of the endogenous variables.[14] The fit of the simulated unemployment rate to the actual is quite close (see Figure 2), with an R^2 of .928.[15] The fit to the average durations is less good in terms of R^2

[14] With only two endogenous variables as output, it is not possible to distinguish the effects of A (1), A (2), and A (4), all of which influence the number of accessions which will be made in a given day, but do not affect average durations for a given unemployment rate. For the run reported, A (1) and A (2) were arbitrarily set at .95, and the fit was achieved by searching for valuees of A (3), A (4), and A (5) which produced low values of the sums of squares of the errors of the simulated values.

[15] In this context, R^2 was calculated as

$$1 - \Sigma (S_i - T_i)^2 / (\Sigma T_i^2 - N\bar{T}^2),$$

where S_i and T_i are the simulated and true value of the variable for the ith month, and N is the number of months.

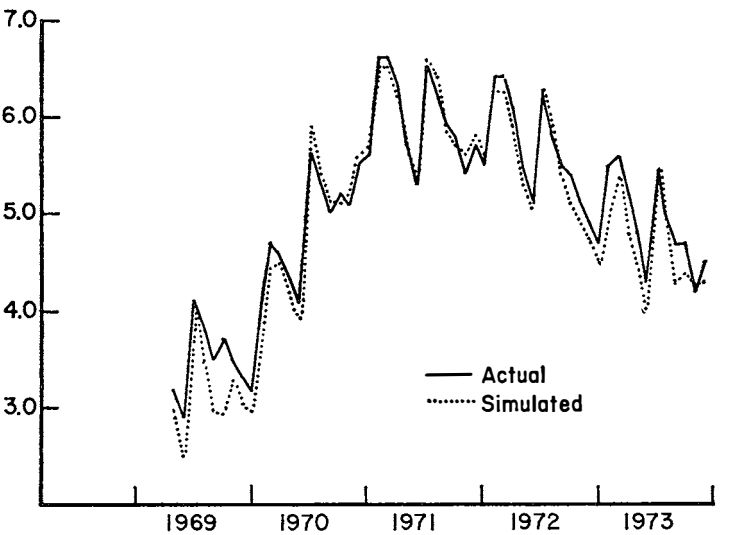

Figure 2. Unemployment Rate (Percent).

(.588). However, it will be noticed that the simulated value of average duration (in Figure 3) follows very well the direction of change of the actual value, even at times when the level of the simulated value is in considerable error. This is particularly noticeable in the first 14 months simulated, a period in which the mechanical method used in setting up the initial microconditions has a strong influence on the result. If the first 14 months are discarded, the R^2 on average duration rises to .817.

Unemployment rates for the period covered reached their peak in February and March 1971, while the peak for average durations did not occur until April 1972. The simulated values catch this lag perfectly, and this ability to reproduce the lags of the actual data displays one important virtue of the simulation technique. In regression work, the usual procedure in dealing with lags is to assume that the weights of the lags are fixed and follow some simple mathematical pattern, a pattern which may bear no relation to the underlying economic process. In simulation, the lag pattern which emerges in the simulated output is generated in a way analagous to the way the actual process operates. In the case at hand, the effect of the unemployment rate in month X on the observed average duration in month $X + 9$ will depend on the whole pattern of unemployment rates during the nine months intervening. A sudden temporary drop in unemployment in month $X + 3$, for example, may cause the employment of most of those who lost their

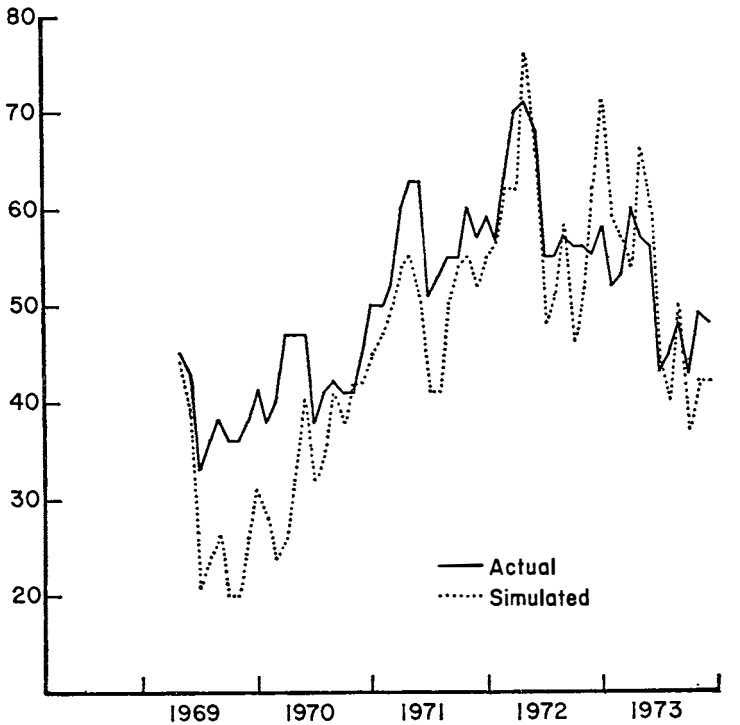

Figure 3. Average Duration of Unemployment (Business Days)

jobs in month X, and thus their disappearance from the ranks of the unemployed when durations are averaged in month $X + 9$. Moreover, if the sudden temporary drop in unemployment took place in $X + 8$ rather than $X + 3$, it would have virtually the same effect in reducing the influence of unemployment in X on durations in $X + 9$. In other words, a fixed weight lag structure cannot possibly represent well the lag between unemployment rates and durations. The simulation, which assumes no particular lag structure but lets the process of separations and accessions proceed naturalistically, handles this complicated lag process in a simple way.

Usefulness of the Simulated Labor Market Model

The achievement of a good fit to the data should give us some confidence that the model, or more developed versions of it, can be used to give useful clues on a number of important issues in labor market research. One obvious issue which can be investigated with a model of

this type is the effect of labor turnover rates on the unemployment rate.[16] Another is the effect of labor force departures and reentries on unemployment rates. A third is the effect of labor market segmentation on unemployment rates of various groups.[17] A fourth, to be investigated with a model which includes wage offers as part of the hiring procedure, would explore the interrelationship of the supply-demand balance, separation rates, and the rate of rise of wage rates.[18]

A number of factors will inhibit the development of simulation models for empirical work. One includes the lack of an algorithm which would systematically guide the search for optimal parameter values. Hopefully, this problem will soon be overcome. Far more serious is the lack of good data for labor market groups on turnover and the discontinuance of surveys of vacancy rates.[19]

The "naturalness" of such simulation models, and the ease and exactitude with which hypotheses or observations concerning microbehavior can be incorporated in them, surely make them an attractive research tool. The fact, which we have demonstrated here, that we can find parameters which allow us to track actual data with good success should further add to our confidence in their usefulness.

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[16] See Bergmann, *op. cit.*

[17] See Clair B. Vickery, "Why Unemployment Rates Differ by Race and Sex," Ph.D. thesis, University of Maryland, 1973.

[18] See Myles Maxfield, Jr., "Studying Wage Changes with a Simulation of the Labor Market," Ph.D. thesis, University of Maryland, 1975.

[19] The abandonment of the vacancy rate series by the BLS at the end of 1973 creates a severe handicap for work of this type. Perhaps the lack of vacancy data can be overcome by embedding the labor market model in a larger model which depicts the decision of employers to open up job slots as part of decision-making concerning production. One such model is described in Barbara R. Bergmann, "A Microsimulation of the Macroeconomy with Explicitly Represented Money Flows," *Annals of Social and Economic Measurement* 3 (July 1974), pp. 475–490.

The Effect of Manpower Training on Earnings: Preliminary Results

ORLEY ASHENFELTER[1]
Princeton University

The stakes involved in a judgment on the economic success of post-schooling classroom training are large. On the one hand, through fiscal year 1973 we had invested some $2.5 billion in this social program through federal obligations for institutional training under the Manpower Development and Training Act (MDTA). As citizens we should like to know how well this investment paid off so future decisions can be altered in the light of the success or failure of decisions made in the past. On the other hand, postschool classroom training is almost like a laboratory test of our ability to augment the human capital of certain workers. As academics, we should like to know what this experiment can tell us about the theory of human capital and the value of this theory for purposes of prediction and measurement.

Regardless of the stated objective, manpower training programs are successful only if they increase trainee earnings above what they otherwise would have been. The stated objectives of manpower training programs fall into three categories: (1) the reduction of inflation by the provision of more skilled workers to alleviate shortages, (2) the reduction of the unemployment of certain groups, and (3) the reduction of poverty by increases in the skills of certain groups. Since the first objective requires the alleviation of shortages by training more highly skilled workers, training should increase the earnings of those whose skills were increased. The concern for reducing unemployment, which is

[1] This paper is a progress report on a longer-term empirical study of the effects of the Manpower Development and Training Act programs on trainee earnings, started in 1972 when I was Director, Office of Evaluation, U.S. Department of Labor. I owe a debt to Laurence Silberman, then Under Secretary of Labor, and Michael Moskow, then Assistant Secretary for Policy, Evaluation, and Research, for the opportunity to pursue this line of inquiry. Among many others in the Department of Labor, I am heavily indebted to James Blum and David Farber. I also must thank Sherwin Rosen and Ernst Stromsdorfer for serving as chairman and consultant, respectively, of the Panel on Manpower Training Evaluation of the National Academy of Sciences. The final report of the Panel, *The Use of Social Security Earnings Data for Assessing the Impact of Manpower Training Programs* (Washington: National Academy of Sciences, January 1974), constitutes a lucid and independent analysis of the data base on which this paper is based. Finally, D. Alton Smith masterfully performed most of the computing work underlying this paper and assisted in numerous other ways. Financial support for this stage of the work has been provided by the Office of Evaluation, ASPER, U.S. Department of Labor. None of those mentioned above is responsible for the views expressed in this paper.

the second objective, is derived from a concern for the decreased earnings of unemployed workers; and if trainees subsequently suffer less unemployment, their earnings should be higher. Finally, training programs are designed to reduce poverty by increasing the earnings of low income workers.

It follows from this discussion that an analysis of the success of training programs is inherently a quantitative analysis of how trainee earnings are changed from what they otherwise would have been. The purpose of this paper is first to analyze the advantages and disadvantages of performing such an analysis using longitudinal data on trainees that are obtained from Social Security Administration records, and then to report on what I have learned from the application of this method to one cohort of trainees who participated in institutional (classroom) training under the MDTA.

I.

Although there have been many analyses of the effect of postschool manpower training on earnings, it is generally agreed that very little is reliably known about the actual effect of these programs.[2] There are three main problems that plague all efforts to analyze these programs: (1) the large sample size required to obtain reliable estimates of program effects, (2) the great expense of interviewing trainees over several years, and (3) the difficulty of obtaining an adequate group against which to compare trainees.

To illustrate the first point, suppose that the second and third problems were resolved and that we wished to design a study of the impact of training on earnings. A simple, but adequate, design would be to take a group of applicants for the program and randomly assign only some proportion π to the program, reserving the remainder, $1-\pi$, as a comparison group. The program's average effect on earnings would then be estimated by the difference after training between the average earnings of trainees and the comparison group. Of course, this difference would be only an estimate of the program's true average effect because it would be based on only a sample of the trainees. We are naturally interested in how reliable this estimate would be. One measure of reliability is the standard deviation of the estimated program effect, since, after all, we should expect the interval defined by the estimated program effect plus or minus two standard deviations to contain the

[2] Jon Goldstein in *The Effectiveness of Manpower Training Programs: A Review of Research on the Impact of the Poor* (Washington: U.S. Government Printing Office, 1972), p. 14, puts it this way: "The robust expenditures for research and evaluation of training programs ($179.4 million from fiscal 1962 through 1972) are a disturbing contrast to the anemic set of conclusive and reliable findings."

true program effect in some 95 out of 100 designs. For this simple design the standard deviation of the program effect, σ_t is given by[3]

$$\sigma_t = \sigma_y / [N\ (\pi)\ (1-\pi)\ ]^{1/2}, \tag{1}$$

where N is the overall sample size, and σ_y is the standard deviation of earnings in the potential trainee population. σ_t clearly depends inversely on our choice for N, mirroring our intuition that large samples should provide more reliable information.

How small should we require σ_t to be? A formal answer to this question is very difficult, but surely the answer will depend on how large we think the true progam effect is likely to be. In 1964, total federal costs were around $1,800 per MDTA institutional trainee. If the rate of return on this investment were .10, and if the time stream of returns involved a one-time increase in trainee earnings, we would expect a training effect of $180. Doubling our expected rate of return would double this number. Given a training effect of around $200 (1964 dollars), it is clear that a 95 percent confidence interval could be expected to include zero unless σ_t were less than $100. So wide a confidence interval would then preclude even the judgment that the training effect was significantly different from zero and probably would not be of much help in decision making. Therefore, to continue the example in concrete terms let us suppose that we will require at the very least that $\sigma_t \leqq 100$. In terms of formula (1) this requires that

$$\sigma_t = \sigma_y / [N\ (\pi)\ (1-\pi)\ ]^{1/2} \leqq 100. \tag{2}$$

Inverting the inequality in (2) shows that this requires

$$N \geqq (\sigma_y/100)^2/\pi\,(1-\pi)\,. \tag{3}$$

To see how large the sample size, N, must be then requires only estimates of σ_y and π. Clearly the required value of N is lowest for $\pi = .5$, an equal split of the sample between trainees and controls, and so we might as well use this value. In the data for 1964 that I discuss below, σ_y is around $2,000 for white males, though it is slightly lower for other race/sex groups. Putting these numbers together in formula (3) gives $N \geqq (2{,}000/100)^2/.5\,(1-.5) = 1600$.[4] Although very much larger than the completed sample size in many studies, $N = 1600$ does

[3] This is just one form for the standard deviation of the difference between two sample means and can be found in any elementary statistics book.

[4] I should emphasize that these calculations are meant only as examples. In practice, a more complicated regression design would surely be used. To the best of my knowledge, the first formal consideration of these issues in the context of the actual design of a study to analyze a Department of Labor training program was taken up by George Johnson and H. M. Pitcher in "On the Necessary Sample Size for an Impact Evaluation of the WIN 2 Program," unpublished paper, November 1973. Their analysis considers the more complicated case.

not seem unreasonable until one recognizes that it would be necessary to have at least 1600 sample points for each separate race/sex or other group that was to be analyzed. With two race groups and two sex groups, for example, it would be necessary to have 6400 sample points, which is considerably larger than any sample actually drawn.

This is hardly the end of the story, however, because the difficulty and expense of interviewing trainees and controls over several years still remains. Suppose, for example, that it costs R dollars to complete a single interview and that the probability of completing an additional interview is λ. This latter assumption means that the success rate for interviews is a constant λ and independent of the number of consecutive interviews. In this case the cost of a sample point that requires k interviews is just

$$C = R \sum_{r=0}^{k-1} \lambda^r / \lambda^{k-1}. \tag{4}$$

It is my impression that for many survey houses λ is around .9 or lower, and that R is perhaps \$25. This would imply that for a completed sample point that required four consecutive interviews $C = 25\,(4.72) =$ \$118. Under these assumptions 1600 completed sample points would cost nearly \$200 thousand and 6400 sample points would cost about \$.75 million. There would, of course, be many other expenses to such an analysis, but this example should give some feeling for the very considerable financial obstacles that have been roadblocks to conventional analyses.

The most serious problem, however, is the difficulty of obtaining a reliable comparison group for the analysis. Manpower training programs have not been run as if they were experiments in the past, and there is a great deal of difficulty and resistance in changing past practices. The argument against experimentation is usually shrouded in the rhetoric of morality, implying that deliberate exclusion of any groups from entrance into a training program to which they were entitled is unethical. The fact that this argument is entirely fallacious is demonstrated by two simple points. First, virtually all MDTA programs have offered substantial stipends to participants, so that there has normally been an excess supply of applicants. This means that some eligible trainees have always been excluded from training, and must have been excluded by some criteria. In response to this point it might be argued that those applicants who are accepted into training have been chosen by program operators on the basis of the likelihood that they would benefit from the program. There is, of course, no reason why this policy could not be continued in an experimental environ-

ment so long as the basis of the selection criteria were known and measurable, in which case the selection criteria could be controlled statistically. No doubt there would be resistance to requiring the practice of using explicit and objective criteria for entrance to the program, but such a practice might be desirable on grounds of fairness even in the absence of an experimental environment.[5]

II.

Each MDTA trainee had created for him (or her) a trainee file upon program entrance. No doubt the original idea for these files was inspired by the analogy of trainees with school students, and their purpose was to allow the analysis of a trainee's progress through the program and into the labor market. As in the case with school students, the latter turned out to be difficult, and in practice the files do not contain useful information on the subsequent labor market status of trainees. These basic trainee files make up one set of data for analysis.

At the same time, the Social Security Administration maintains information on the earnings of most American workers year by year over the last two decades or so. These data are obtained from employer records and are maintained, of course, for the purpose of determining retirement and other benefits of eligible workers. In the analysis I report below, the basic data source for trainees is the combination of these Social Security records with the training program files after deletion of identifying characteristics to preserve confidentiality.

This source of data goes a long way toward resolving two of the basic problems in estimating the effect of training on trainee earnings that I have outlined above. First, there is no problem with sample sizes in these data. In principle, it would be possible to use the data for all trainees. In practice, since the earnings data are available only on a calendar year basis, it seems better to work with trainees entering the program during the first calendar quarter of a year so that we have an uncontaminated measure of trainee earnings covering the entire period prior to training. Table 1 contains the sample sizes for data obtained in this way for 1964 enrollees. As can be seen from the table, these are certainly large enough to give statistically reliable results on the criterion outlined above. Second, there is no additional cost to obtaining an extra year's earnings for any trainee. The only limit on the length of time that the earnings of a trainee might be

[5] The statistical issues involved are discussed by Arthur Goldberger, "Selection Bias in Evaluating Treatment Effects: Some Formal Illustrations," Discussion Paper No. 123-72, Institute for Research on Poverty, The University of Wisconsin, April 1972.

followed is the number of years since leaving training. Since 1964 was the first year there was a sizable MDTA trainee population, in this preliminary report I have concentrated on the results for white males in the 1964 cohort because it allows analysis of the effect of training on earnings for a full five years after training. I should add that the average cost of obtaining and processing a completed trainee sample point in this way has been less than $.50. For a comparison group I have been forced to use the .1 percent Continuous Work History Sample (CWHS). This is a random sample of American workers that is maintained by the Social Security Administration. The sample sizes for the comparison group are also listed in Table 1. In the case of both the trainee and comparison groups I have limited the sample to those persons between the ages of 16 and 64.

It is obvious that the comparison and trainee groups are not drawn from the same population. The best that can be done in these circumstances is to statistically control for observable differences between the two groups using measurable variables. I have chosen to do this by regressions that include as separate independent variables the five previous years' earnings and age.

I do not want to over-sell the reliability of this method of controlling for differences between the trainees and other workers. Even so, the use of longitudinal data in this way is a powerful tool for two reasons. First, there are a variety of historical factors that influence the earnings capacity of any individual worker, such as education, experience, mobility, and others. Surely the best single summary measure of this cumulative experience for a worker is his previous earnings, and it is precisely these differences in pretraining earnings that are used to control for differences between the trainees and the comparison group. Second, it is possible to provide an internal check on the quality of the standardization by fitting the same model used to estimate differences between the trainee and control group in the period after training to the data for the period *prior* to training. That is, I have not only estimated the standardized (or controlled) difference between the av-

TABLE I

Sample Statistics for MDTA Trainees, First Quarter of 1964 Enrollees

Race, Sex Group:	Sample Size		Average Earnings in 1963	
	Trainees	Controls	Trainees	Controls
White males	7,326	40,921	1,810	3,108
Black males	2,133	6,472	1,181	1,896
White females	2,730	28,142	748	1,432
Black females	1,356	5,192	531	936

erage earnings of trainees and controls after training, but also the standardized difference before training. Needless to say, if the regression model were entirely successful we would expect the estimated pre-training differences to be negligible.

The basic results for white males are contained in Table 2 in the form of estimated regression coefficients (and standard errors) of a dummy variable that equals unity for trainees and zero for others. I have suppressed the full regression results to conserve space (there is one regression for each number reported in Table 2), but the explained variance ($R^2 \approx .7$) and other sample statistics are very impressive. Several conclusions may be drawn from this table. To begin with, it is clear that in 1963 the standardized earnings of the 1964 cohort of trainees were roughly $300 to $350 lower than the standardized earnings of the controls. The difference between trainees and controls in 1962, however, was very small ($42). This means that the earnings of trainees must have fallen relative to those of the controls in the year immediately preceding training. In retrospect this finding is probably not surprising, but in so far as I am aware it has never been reported in any of the voluminous studies of this issue. What it implies is that manpower trainees in 1964 were not just workers from the lower end of the earnings distribution as shown in Table 1, but that they were workers who had special and substantial labor market difficulties in the

TABLE 2
Estimated Standardized Differences Between Trainee and Control Group Earnings, White Male Institutional MDTA Trainees from the Class of 1964[a]

Differences Between Trainees and Controls In:	Earnings Differences Are Standardized for All Years Equal or Prior to: 1961	1962	1963
1962	−42. (13.)		
1963	−347. (16.)	−317. (13.)	
1964	−907. (18.)	−883. (17.)	−682. (15.)
1965	139. (20.3)	161. (19.)	322. (25.)
1966	150. (26.)	176. (26.)	342. (25.)
1967	138. (28.)	163. (28.)	322. (18.)
1968	−7. (33.)	19. (33.)	168. (32.)
1969	62. (36.)	88. (35.)	225. (35.)

[a] Estimated standard errors of estimated regression coefficients in parentheses.

year prior to entering training. This is not a surprising finding because workers with special difficulties would be more likely to want to enter a training program, and, of course, it was just such "structurally unemployed" workers that the Deparment of Labor was instructed to seek and enroll in the MDTA programs.

This basic finding introduces substantial ambiguity into the interpretation of the results. On the one hand, if we believe that the −347 dollar difference between trainees and controls in the first column of Table 2 is transitory and would have vanished in the absence of training, then it is correct to measure the training effects by the numbers in the remaining rows of this column. If, on the other hand, we believe that the pretraining difference between trainees and controls would not have vanished without training, then we are entitled to measure the training effects by the figures in the third column of Table 2. Unfortunately, the estimates in these two columns differ considerably and so there must remain some conceptual ambiguity in the results. Nevertheless, the estimates in these two columns may be taken as reasonably lower and upper bounds on the true training effects, and they are close enough together to establish two important conclusions.

First, training in 1964 did raise the earnings of trainees above what they otherwise would have been. In 1965, for example, the earnings of white male trainees were raised by between $139 and $322, or between 8 and 18 percent, above what they otherwise would have been. Second, even though the training effects decline with time, they still exist up to five years following training. Needless to say, these results seem worth pursuing for the other race/sex groups and for later cohorts of trainees.

Conclusion

It is my general impression that just as manpower training was considered the panacea of the 1960s for resolving the problems of chronically unemployed workers, it is now widely believed that these training programs were failures. As I have suggested in this paper, neither judgment about manpower training programs has been supported by any careful empirical analysis. One is led to wonder how such wild swings in public opinion are generated in the face of such staggering ignorance about the actual as opposed to the intended effects of a program. As I have also suggested, the earnings of the 1964 cohort of MTDA trainees do seem to have been raised by training above what they otherwise would have been, though the absence of an experimental design for this study puts a considerable range of uncertainty into the estimates. Clearly, further work with the data system described here

would be desirable, and I intend to report further results in the future. Still, there will never be a substitute for a carefully designed study using experimental methods, and there is no reason why this could not still be carried out. But perhaps it is too late for such a study since the panacea peddlers have lost interest in training programs and have now turned to the notion of a massive public employment program as the panacea of the 1970s.

The Policy Content of Quantitative Minimum Wage Research

ROBERT S. GOLDFARB*
George Washington University

Put yourself in the position of a staff employee of a Senate committee, trying to digest for interested committee members the recent quantitative research on the effects of minimum wages. You are sympathetic to the economist's general analytical approach, and you understand that a major intellectual thrust of recent economics has been the attempt to quantify important relationships. You turn to the task of reviewing recent studies with considerable interest, hoping they will shed some light on continuing public policy controversies about minimum wages. The existence of literally dozens of quantitative studies done in the last five or six years is encouraging, since it suggests that some fairly well-grounded conclusions might have been reached.

A major source of continuing policy controversy concerns the size and distribution of employment and earnings effects of minimum wages. If negative employment effects are sufficiently small and favorably distributed, they may be more than offset in the eyes of the beholder by gains in income to those remaining employed. That is, favorable income distribution effects may outweigh negative employment effects. Our Senate staffer wants to find out what the recent flurry of econometric research reveals about the existence and distribution of these various effects. He is well aware that, despite the fact that many economists teach in their introductory courses that minimum wages are a "bad thing," members of Congress—and much of the public—seem to find minimum wages appealing as an antipoverty device.[1] Indeed, if an economics instructor were asked to provide some quantitative evidence about sizes of effects, he would usually be unable to give a satisfactory response.

A review of recent studies might start with Peterson and Stewart's 1969 monograph.[2] The authors point out that earlier Department of

* A number of individuals, including Louis De Alessi, Marsha Goldfarb, Sheldon Haber, Sar Levitan, Joe Minarick, Larry Promisel, Tony Yezer, and Joyce Zickler provided helpful comments on an earlier draft of this paper.

[1] We are not suggesting that reduction of poverty was the major goal of all forces supporting minimum wage legislation. Past support by northern employers and congressmen and by unions is easily explained on pure self-interest grounds.

[2] John Peterson and Charles Stewart, Jr., *Employment Effects of Minimum Wage Rates* (Washington: American Enterprise Institute, 1969).

Labor studies, frequently cited as evidence that previous increases in the federal minimum wage had no disemployment effects, do not in fact provide dependable evidence on that point. Peterson and Stewart find a number of earlier studies which they believe indicate the existence of disemployment effects, but reliable estimates of sizes of employment effects are not developed. The reviewer must turn to more recent studies, presumably based on more sophisticated quantitative methods, for more concrete results. This yields two large disappointments: First, there is virtually no reliable quantitative work attempting to estimate how wage gains due to minimum wage increases are distributed. What percentage of gains go to single individuals? How large is the benefit to black families in poverty? To college students? Serious and sophisticated estimates seem virtually impossible to come by. Second, the overwhelming preponderance of recent studies on employment effects concentrate on teenagers, so that evidence on other groups is relatively scarce.

Studies dealing with teenage employment effects can be divided into two categories: those measuring effects on teenage employment levels, and those which measure effects on unemployment. The unemployment studies will be considered first. It is possible to discard from consideration a large number of recent studies which contain one or more of the following flaws. First, minimum wage changes are measured through the use of a dummy variable which takes positive values in years when the wage is increased. This technique fails to take account of the actual size of individual increases, and of the rate of decay of the effective minimum wage as other wages rise. Second, the large changes in minimum wage coverage since the early 1960s are not taken into account. Third, there is no allowance for possible lags in the effect of minimum wages, though such lags might be expected if only because it takes time to substitute capital for labor.[3]

Studies by Adie, Kaitz, Lovell, and Moore deserve careful evaluation, since they seem the most sophisticated and thoughtful applications of regression techniques to the analysis of teenage unemployment.[4] Though a large number of questionable results have been eliminated

[3] The first two criteria are suggested in Kaitz's 1970 review of earlier studies. See Hyman Kaitz, "Experience of the Past: The National Minimum," in *Youth Unemployment and Minimum Wages*, BLS Bull. 1657 (1970), pp. 30–54.

[4] Douglas Adie, "The Lag in Effect of Minimum Wages on Teenage Unemployment," *IRRA Proceedings* (December 1971), pp. 38–46; Douglas Adie, "Teenage Unemployment and Real Federal Minimum Wages," *Journal of Political Economy* 81 (March–April 1973), pp. 435–441; Kaitz, *loc. cit;* Michael Lovell, "The Minimum Wage, Teenage Unemployment, and the Business Cycle," *Western Economic Journal* 10 (December 1972), pp. 414–427; Thomas G. Moore, "The Effect of Minimum Wages on Teenage Unemployment," *Journal of Political Economy* 79 (July–August 1971), pp. 897–902.

by this narrowing of attention, the remaining studies fail to agree about the existence and size of unemployment effects. Adie and Moore find that most of the teenage subgroups they examine suffer significant disemployment effects from minimum wages, while Kaitz and Lovell find little compelling evidence of these effects. That is, the two sets of studies come to strongly conflicting conclusions.

When econometric studies yield conflicting results, it is often difficult to determine the sources of the contradiction. Fortunately, however, Lovell sorts through the many differences between the Kaitz and Moore studies and isolates the precise causes of the differing results.[5] For example, Moore and Kaitz use different measures of unemployment; as one experiment, Lovell performs an analysis almost identical to Moore's, only using Kaitz's measure of unemployment. Repeated experimentation shows that the crucial difference between the two studies involves the inclusion or omission of controls for teenage population growth. When this growth is not controlled for, as in Moore's study, minimum wages do have a significant effect in raising unemployment; when it is accounted for, as in Kaitz's study, the minimum wage no longer has a significant impact. This result leads Lovell to side with Kaitz and the "no-effect" school: Teenage population has grown rapidly, and it seems as though this important phenomenon ought to be controlled for if a pure measure of minimum wage effects is to be obtained.

Lovell's conclusion is hardly the last word, however. Fearn, Fisher, and Adie and Gallaway[6] suggest that the inclusion of a population growth variable is of questionable merit. Lovell's analysis shows that there is a close chronological or timing relation between population growth and increases in unemployment. However, a simple version of economic theory suggests that this timing relation would not exist if there were no minimum wage. Population growth shifts out the supply curve of teenage labor; in the absence of a minimum wage law, wages would adjust downward to "clear" the market, so no extra unemployment would be observed.

[5] The four studies differ in at least six ways: (1) the definition of the unemployment variable; (2) the treatment of possible lags (Kaitz does not allow for lags, and the others use different forms of lags); (3) correction for coverage; (4) deflation of the minimum wage variable; (5) inclusion of a population growth variable; and (6) division of teenagers into different subgroups. The result that differing treatment of population growth is responsible for differing results is applicable to all four studies, not just Kaitz and Moore.

[6] Douglas Adie and Lowell Gallaway, "The Minimum Wage and Teenage Unemployment: A Comment," *Western Economic Journal* (Dec. 1973), pp. 525–528; Robert Fearn, "Discussion," *IRRA Proceedings* (Dec. 1970), pp. 139–142; Alan Fisher, "The Minimum Wage and Teenage Unemployment: A Comment," *Western Economic Journal* 11 (December 1973), pp. 514–524; Alan Fisher, "The Problem of Teenage Unemployment," Ph.D. dissertation, University of California at Berkeley, 1973.

This interpretation makes it tempting to reject the Lovell "no-effect" analysis completely, and embrace the Adie-Moore results, but this would be a mistake. Population growth may affect unemployment even when no minimum wage is present. Many economists, for example, would argue that wages would not adjust all that quickly in a downward direction, even without the presence of a minimum wage. With wage stickiness, continued growth in teenage population would cause higher transitory unemployment even without a minimum wage, since it would take time for wage adjustments to take place. Indeed, this problem of dynamic adjustment is only the tip of an iceberg. The studies under consideration all seem to implicitly view unemployment as a phenomenon resulting from failure to reach that familiar equilibrium point in our simple demand-supply diagrams.[7] Yet most analysts also believe that "frictional" unemployment will be positive at that equilibrium point. Indeed, much of the current work on search and duration-turnover models is aimed in part at investigating what used to be called frictional unemployment. It is hard to see how empirical work which either ignores frictional unemployment or is based on an incomplete theoretical understanding of it can be considered definitive.[8]

Suppose all these serious difficulties of interpretation were to be ignored, and the Adie-Moore verdict that minimum wages increase teenage unemployment were to be accepted. Unfortunately, even this great leap of faith would not be enough to provide any firm information about the size of unemployment effects. Moore's study suggests that a rise in the minimum wage from $1.60 to $1.80 in January 1970 and then to $2.00 in January 1971 would have raised the unemployment rate of nonwhite teenagers by 15.6 percentage points by 1974. A similar minimum wage increase based on Adie's reported elasticities shows an increase of only 8.1 percentage points. That is, no satisfactory estimates emerge from the two studies, yet such estimates are crucial if employment losses are to be compared to wage gains.[9]

The size problem is even worse than it looks, because the size estimates in both studies are subject to conflicting biases, so that we cannot tell in what direction each estimate is biased. Moore recognizes that

[7] In Adie's work, this view is quite explicit.

[8] Recent work by King and preliminary work by Mincer attempt to incorporate search-turnover considerations in modelling minimum wage effects. Mincer's approach seems especially promising. See Allan King, "Minimum Wages and the Secondary Labor Market," *Southern Economic Journal* 41 (October 1974), pp. 215–219; and Jacob Mincer, "Unemployment Effects of Minimum Wages" (New York: NBER Working Paper Series No. 39, May 1974).

[9] Adie's estimates are derived from his *Journal of Political Economy* article, *op. cit.*, p. 436, and apply to a different date than do Moore's, so the results are not perfectly comparable. To the degree they are comparable, the 8 percent is an *overestimate* since it assumes no offsetting increases in wages and prices elsewhere.

"hidden employment" may result in understatement of unemployment effects, but there is a potential bias in the opposite direction having to do with that troublesome population growth phenomenon. Suppose Moore's results were used to get estimates of minimum wage effects in a world where teenage population was no longer growing as rapidly. Moore and Adie both attribute the long lags they observe to the time it takes to substitute capital for labor. However, appropriate manipulation of a simple supply-demand diagram suggests that the observed lags are due in part to the fact that supply was growing rapidly. If the supply curve shifts out faster than demand because of population growth, the gap between the supply curve and demand curve gets bigger at a given minimum wage level, increasing the level of unemployment. Since these supply shifts take time, the Adie-Moore lags probably reflect the effects of these supply shifts. Thus, if the supply curve *were no longer shifting out as fast,* the minimum wage effect would not be as large! The magnitude of this phenomenon cannot be estimated from Adie's or Moore's equations, so that reliable estimates for periods such as the present one, in which supply is growing more slowly, cannot be derived.

A major difficulty with the unemployment studies is their inability to deal with certain supply phenomena like population growth. Because employment may be less directly affected by such supply phenomena, our second category of studies—those which focus on employment rather than unemployment—may produce more definitive results.

Examination of recent employment studies does indeed reveal more consistent results than the unemployment studies obtained. Kaitz's 1970 study is a useful starting point, since several later employment studies build upon his work, trying to improve on particular procedures.[10] Kaitz's own results are very mixed. While he finds that a few teenage subgroups have suffered significant employment decreases because of rising minimum wages, most subgroups have not. The appearance of unexpected signs for "close-to-significant" effects casts doubt on the consistency of Kaitz's findings. On the other hand, the later studies, each of which embodies a different methodological improvement over Kaitz's procedures, obtain far more systematic and consistent results, producing reasonably strong evidence of the existence of disemployment effects. Not only do these studies agree about direction of minimum wage effects, but the results about sizes of effects seem less diverse than in the unemployment studies. The later employment studies embody one or more of the following improvements over Kaitz's procedures:

[10] Kaitz, *op. cit.,* p. 3. Kaitz's study contains both employment and unemployment equations.

(1) allowance for possible lagged effects of minimum wages;[11] (2) sophisticated correction for the fact that variables like school enrollment, which are treated as exogenous by Kaitz, are really endogenous;[12] (3) more appropriate correction for seasonality;[13] (4) a more sophisticated correction for the impact of expanded coverage.[14]

These studies seem to provide useful, if somewhat narrowly focused, information to legislators. In particular, they indicate that minimum wage increases do decrease teenage employment; the results suggest that a 25 percent increase in minimum wage rates would lower teenage employment by roughly 3.5 to 5.5 percent. There are, however, several disquieting features of these employment studies. First, the studies consistently indicate that white teenagers suffer employment losses from minimum wages, but black teenagers do not. One explanation of this counterintuitive result has been offered by Welch, who suggests that the failure to find significant effects for blacks is due to sample size problems in the employment data. Although this explanation may restore one's faith in the predictive power of simple economic theory, it does not supply needed information about sizes of effects for blacks. Second, the studies do not provide information about the family income characteristics of the disemployed white teenagers. It is frequently implicitly assumed that those disemployed are virtually all from the poorest families, but this need not be the case. Parsons has presented evidence that teenage students working part time earn lower wages on the average than teenage nonstudents.[15] Thus, it is at least conceivable that disemployment effects fall to some degree on students from nonpoor families. No information is provided on this point, although such information would be valuable for comparing wage-gain effects to disemployment effects. The absence of such information lessens the policy-usefulness of the studies.

Remaining difficulties concern features of the framework rather than the empirical results. A first difficulty concerns the way in which demand for teenage labor is modeled. Shifts in demand are usually cap-

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[11] Masanori Hashimoto and Jacob Mincer, "Employment and Unemployment Effects of Minimum Wages" (unpublished manuscript, August 1971); Terrence Kelly, two draft chapters of a minimum wage study (Washington: The Urban Institute, July 1973); Finis Welch, "Minimum Wage Legislation in the United States," *Economic Inquiry* 12 (September 1974), pp. 285–318. Empirical work similar to that in Hashimoto and Mincer appears in Mincer, *op. cit.*, p. 6, but the later paper focuses on modelling unemployment. These two studies also have some estimates of effects on groups other than teenagers.

[12] Kelly, *loc. cit.*

[13] Hashimoto and Mincer, *loc. cit;* Welch, *loc. cit.*

[14] Welch, *loc. cit.*

[15] Donald Parsons, "The Cost of School Time, Foregone Earnings, and Human Capital Formation," *Journal of Political Economy* 82 (March–April 1974), pp. 251–266.

tured by the inclusion of the adult unemployment rate and sometimes by a trend variable. It is well known, however, that teenage employment is concentrated in certain industries, some times called "teenage specific" industries. To the extent that demand in these industries exhibits significant shifts which are not in a constant quantitative relationship to the adult unemployment rate, and are not captured by the trend variable, demand will be inadequately controlled for. A more troublesome problem concerns the assumptions about macroeconomic policy implicit in these studies. Suppose that macro policy-makers happen to be pursuing expansionary policies at the time the minimum wage is increased; such policies might even be provoked by fears about the unemployment effects of minimum wage increases. If macro policy were effective, the studies reviewed here would underestimate the potential employment effects of minimum wage changes, since they would be measuring the effect of a minimum wage change offset by a macro policy aimed at increasing employment. None of the studies contains a discussion of this kind of problem. Space constraints permit only brief mention of selected additional problems: (1) the need, stressed in recent work by Ashenfelter and Smith,[16] to incorporate measures of degree of compliance with the minimum wage law into the analysis; (2) the meaning of trend and teenage population variables used in several of the studies. Inclusion of teenage population variables is never given adequate theoretical justification, while the trend variable seems to indicate ignorance about the real causal structure. The trend variable could conceivably be capturing phenomena partly caused by the minimum wage itself.

These criticisms are not meant to deny that the studies reviewed are important and worthwhile contributions.[17] Knowledge grows through a progression of studies, each building on and trying to improve upon earlier attempts. This straightforward view of progress in empirical work has implications for the way in which researchers themselves explain the policy implications of their work to legislators and other noneconomists. Some economists who have produced minimum wage studies have testified at congressional subcommittee hearings about amending the FLSA. Rather than stressing the narrow confines of their research and the tentative nature of their findings, some witnesses spoke as though their studies had established that minimum wage increases

[16] Orley Ashenfelter and Robert Smith "Compliance with the Minimum Wage Law (Progress Report)" (Washington: U.S. Department of Labor, Office of Evaluation Technical Paper No. 19A, April 1974).

[17] In addition, our failure to discuss recent papers dealing with minimum wage effects on particular industries or occupations, or the effects of state minimum wage laws, is not a judgment about the usefulness of these papers, but is due instead to space constraints.

cause social disaster. Such testimony has been based largely on the unemployment studies, whose results are inconclusive. Furthermore, the statements conveniently ignored the following gaps in existing knowledge: (1) no complete study exists of the overall income distribution effects of minimum wage legislation; (2) very little evidence exists about employment effects on groups other than teenagers. Indeed, one wonders how some witnesses could be so sure that minimum wage legislation might not work in part to substitute adult family heads from poor families in jobs which would otherwise have been filled by part-time teenage labor, not necessarily from poor families.[18]

In the longer run, attempts to oversell narrow and tentative quantitative results will undoubtedly lead to the devaluation of economists' testimony. Surely a strategy of intellectual humility would have a much higher long-run payoff in terms of ability to influence policymakers. No doubt the witnesses felt it was all right—even commendable—to oversell their results in attempting to slay the evil minimum wage dragon. Yet strong anti-minimum wage arguments are available which do not require the overselling of limited empirical results. One such argument might go as follows: "The minimum wage is often proposed as a poverty-fighting device, but the uncertainty of its effects makes its usefulness in fighting poverty highly questionable. On the negative side, there is reasonably good tentative evidence that teenage employment declines as a result of minimum wage increases. On the positive side, serious minimum wage proponents usually argue that income gains outweigh employment losses, so that income distribution improves. But in actuality there is no assurance of such an improvement, and proponents have presented no empirical evidence that an improvement occurs. Given that there are other ways of attacking poverty, why employ a policy whose supposed benefits may be nonexistent, but whose costs are probably very serious?"

The argument that distribution need not improve *does not* rest solely on the idea that employment losses may offset income gains to those still employed. A minimum wage may lower average wages in the uncovered sector, so that those suffering wage decreases may be just as disadvantaged as those getting increases. The power of this line of reasoning is its stress on the uncertainty of minimum wage benefits; the incompleteness of the quantitative research bolsters the anti-minimum wage argument instead of weakening it. In short, there is no need to oversell results in order to create a strong case against minimum wages.

[18] When there are hiring costs, the choice between labor with different characteristics will depend on wage rates and expected quit rates. When wage rates are increased, labor viewed as "more stable" (adults) may be substituted for labor viewed as "less stable" (teenagers).

Econometric Research and Incomes Policy: Uses and Abuses

DANIEL J. B. MITCHELL
University of California, Los Angeles

I. The General Issue

Concern with new techniques is not a recent phenomenon, although we in labor market analysis are probably facing our particular topic later than other areas of economics. In 1952, the noted econometrician Guy Orcutt offered the gloomy view that "at present, it is not even possible to furnish the policymaker with accurate short run forecasts . . . for even a single course of action."[1] Nor did he see the prospect in the foreseeable future. Debates of the type presented in this symposium were held in the 1950s, but the state of computer technology was a barrier to widespread econometric work, so the issue was more often mathematics in economics rather than econometrics.[2]

The fact that an issue debated two decades ago has now come to labor economics could be explained by one of two hypotheses. Paul Samuelson, in a rejoinder to an antimathematics attack in 1954, suggested that nonmathematicians should "sublimate their feelings and transfer from economic theory into . . . history of doctrines or . . . labor economics."[3] So perhaps labor economics is the repository for "softer" types.

Alternatively, we might consider the explanation of Michael Piore, whose approach to labor economics has been decidedly noneconometric and nonmathematical. Piore tells of wondering how he had survived the rigors of promotion at MIT, until a colleague supplied the answer.[4] All the riddles of macro theory, according to his colleague, have been dumped into the labor market. Therefore, the labor market ought to be studied "in a way which was incommensurate with the rest of the

[1] Guy H. Orcutt, "Toward Partial Redirection of Econometrics," *Review of Economics and Statistics* 34 (August 1952), pp. 195–200.

[2] The editors of one major journal warned mathematical economists to avoid creating "linguistic barriers." See "Notice by the Editors," *Economic Journal* 64 (March 1953), pp. 1–2.

[3] See David Novick, "Mathematics: Logic, Quantity, and Method," *Review of Economics and Statistics* 36 (November 1954), pp. 357–358; and Paul A. Samuelson, "Some Psychological Aspects of Mathematics and Economics," *Review of Economics and Statistics* 36 (November 1954), pp. 380–382.

[4] Michael J. Piore, "The Importance of Human Capital Theory to Economics—A Dissenting View," *Proceedings of the Twenty-Sixth Annual Meeting*, Industrial Relations Research Association, ed. Gerald G. Somers (Madison: The Association, 1974), pp. 251–258.

work in the profession, for that was the best way to prevent the contradictions from escaping and infecting the whole edifice."

The middle ground in a debate of this type is that econometrics is a tool which can be used or misused. Sins are committed by users of econometrics, not by econometrics itself. Although many noneconometricians are unaware of it, computer technology has now made the most complex econometric methods available to anyone with a knowledge of typing. This change in technology ensures that econometrics will become more commonly used in labor market analysis in the future. To guide future users, I suggest there are three primary sins to be avoided.

Sin A: *Institutional Ignorance.* Users of econometrics sometimes succumb to a satanic urge to rush to the computer before the problem they wish to attack is fully understood. Unfortunately, before a problem can be tackled, it is often necessary for the researcher to dirty his hands with such inelegant techniques as conducting unstructured interviews, or reading the *Federal Register.* Neglect of the preliminaries can lead to misinterpretation and wasted effort.

Sin B: *Data Ignorance.* Economic concepts are translated only approximately into empirical observation. For example, the unemployment rate bears a relation to the excess supply of labor, just as the average hourly earnings index bears a relation to the rate of wages. But neither relationship is exact. Researchers ignore eccentricities of data collection and definition at their own peril.

Sin C: *Exaggerated Significance.* Seeming interrelationships between data series can always be found if one searches hard enough, and with modern computer technology, searching is relatively simple. Some searching is unavoidable in econometric work. But researchers must keep in mind that the common-sense meaning of "significant" results is eroded by the process. The t statistics of regression coefficients often are indexes of the diligence of the searcher rather than signals of true relationships.

No one is free of sin. But as labor market analysis, the last bastian, falls before the econometric hordes, we would do well to learn from the mistakes of those previously colonized.

II. Econometrics and Wage Controls

There are a variety of areas in labor market analysis where the uses and abuses of econometrics might be illustrated. The particular area of wage/price controls has the advantage of being a public policy question which will remain in the spotlight as long as inflation persists. Since the U.S. had a controls program from August 1971 to April 1974, it is now possible to discuss the uses made of econometrics from planning to postmortem.

A. Planning

Controls are part of the general range of policy options. In that general sense, it is necessary to point to econometric work in the labor market which has a bearing on macro policy, and therefore on the decision to impose controls. The literature on the reaction of the labor force and unemployment to changes in real output is clearly of use in planning economic policy. For example, after the work of Tella, Mincer, and Okun, policy-makers would be unlikely to expect that a 1 percent reduction in real output for anti-inflationary purposes would produce a 1 percent increase in the measured unemployment rate.[5]

It is probable that econometric models have had a more specific impact on decisions to impose or retain controls. The seeming inflation-unemployment tradeoff probably influenced the decision to impose the Kennedy Administration's guideposts. When the trade-off seemed to improve after imposition, this undoubtedly influenced the decision to retain the guideposts. Similarly, the poor record of econometric models in underpredicting rates of wage and price inflation certainly played a role in the decision of the Nixon Administration to impose controls.

B. Operation

In the day-to-day policy decisions of the 1971–1974 Economic Stabilization Program, there was little use made of econometrics. On the labor side, the kinds of questions that might be asked typically involved simple projections or estimates often made from spotty data sources. For example, when the Pay Board considered the extension of its catch-up exception, the prime concern was estimating the number of workers potentially affected. This kind of estimate can be made directly from labor market data and does not require elaborate processing.

Some longer-range projections were made at the Pay Board, but largely on a judgmental basis. The Board was anxious to have some guidance as to what wage settlements would be like in 1973. In response, the staff prepared a forecast based on (1) known deferred union increases, (2) an estimate of new union adjustments based on estimates of remaining catch-up pressure and interviews with government industrial relation experts, (3) an estimate of nonunion adjustments based partly on wage equations from previously published work, and (4) an adjustment for increased Social Security taxes. The result

[5] A. Tella, "The Relation of Labor Force to Employment," *Industrial and Labor Relations Review* 17 (April 1964), pp. 454–469; Jacob Mincer, "Labor Force Participation and Unemployment: A Review of Recent Evidence," in *Prosperity and Unemployment*, eds. R. A. Gordon and M. S. Gordon (New York: Wiley, 1966), pp. 73–112; and Arthur M. Okun, "Upward Mobility in a High-Pressure Economy," in *Brookings Papers on Economic Activity* (1:1973), pp. 207–252.

was as understated as most inflation forecasts for 1973, but not by more than the typical econometric model was predicting in late 1972.

There was some econometric work at the Price Commission in Phase II and the Cost of Living Council thereafter. It seemes fair to say, however, that higher policy-makers regarded the results of this activity defensively. The econometric unit told them what economists outside the program were looking at. But apart from professional public relations, the results were not necessarily to be taken seriously.

C. Subsequent Evaluation

Most of the econometric work on controls has involved delayed evaluation rather than immediate monitoring. Generally, the approach popularized by George Perry in his evaluation of the Kennedy-Johnson wage guideposts was used to measure the impact of the 1971–1974 program.[6] This approach involves the making of an econometric prediction of the course of wage or price inflation on the assumption of no controls and then comparing it with actual experience under controls. It should be noted that this is one of the few techniques in econometrics with the distinction of being criticized in a *Wall Street Journal* editorial.[7] ("The only things the sages can think of is that the difference between their predictions and the actual performance represents the effect of controls.")

Although questions of causality are always troublesome when the Perry approach is used, there are other equally bothersome considerations. Some of the work which has been done has been in the Phillips curve tradition, with new variables such as price inflation and profits added to the original unemployment index. There have been criticisms of this literature relating to its theoretical underpinning[8] and to common methods of estimation.[9] But probably the most severe criticism that one could make is that the equations produced haven't predicted very well.

In response to poor results, the equations were subjected to considerable massaging. Under these circumstances the danger of Sin C often hovered in the background. When the equations overpredicted in the mid-1960s, it became fashionable to include unrecorded "reserve"

[6] George L. Perry, "Wages and the Guideposts," *American Economic Review* 57 (September 1967), pp. 897–904. Comments by P. S. Anderson, M. L. Wachter, and A. W. Throop along with a reply to Perry appear in the June 1969 issue, pp. 361–370.

[7] "Might-Have-Beens," *Wall Street Journal* (December 5, 1972), p. 22.

[8] Milton Friedman, "The Role of Monetary Policy," *American Economic Review* 58 (March 1968), pp. 1–17, especially pp. 7–11.

[9] J. C. R. Rowley and D. A. Wilson, "Quarterly Models of Wage Determination: Some New Efficient Estimates," *American Economic Review* 63 (June 1973), pp. 380–389.

unemployment in wage equations.[10] When the equations underpredicted a few years later, adjustments to discount the effect of recorded unemployment among marginal workers became popular.[11] For those who were disturbed that the former hypothesis seems to contradict the latter, alternative explanations of the overprediction and the underprediction soon became available. The underprediction was attributed to changes in skill mix and lagged adjustments in the union/nonunion differential.[12] The overprediction, it was claimed, was due to wage structure distortions or to discontinuous inflation perception thresholds.[13]

As I have indicated elsewhere, economic models of wage determination, particularly in the collective bargaining sector, have often failed to square with institutional observation.[14] Most of the suggested empirical models of wage determination depend in part on the assumption that excess supply of labor—measured by some unemployment index—is an important influence. In fact, other nonlabor measures of economic activity, such as the ratio of real GNP to its trend, sometimes perform as well as unemployment in wage equations. If even the fundamental assumption that excess labor supply is important cannot be confirmed, it is hard to place much confidence in the secondary refinements that have been made by wage equation estimators.

Given the precontrol record of prediction, it is not surprising that the econometric estimates of the impact of the 1971–1974 Stabilization Program are ambiguous. Although these studies cannot be discussed in detail, Table 1 provides a summary of several papers which have received attention.[15] The first four studies listed are in the mod-

[10] N. J. Simler and Alfred Tella, "Labor Reserves and the Phillips Curve," *Review of Economics and Statistics* 50 (February 1968), pp. 32–49.

[11] George L. Perry, "Changing Labor Markets and Inflation," in *Brookings Papers on Economic Activity* (3:1970), pp. 411–441.

[12] See the comments by Wachter and Throop cited in footnote 6.

[13] Otto Eckstein and Roger Brinner, *The Inflation Process in the United States*, study prepared for the U.S. Joint Economic Committe, 92nd Cong., 2nd Sess. (1972); and Arnold H. Packer and Seong H. Park, "Distortions in Selective Wages and Shifts in the Phillips Curve," *Review of Economics and Statistics* 60 (February 1973), pp. 16–22.

[14] Daniel J. B. Mitchell, "Union Wage Policies: The Ross-Dunlop Debate Reopened," *Industrial Relations* 11 (February 1972), pp. 46–61.

[15] References to studies cited in Table 1 are as follows: William Niskanen and Robert Berry, "The 1973 Economic Report of the President," *Journal of Money, Credit, and Banking* 5 (May 1973), pp. 693–703; Peter Fortune, "An Evaluation of Anti-Inflation Policies in the United States," *New England Economic Review* (January/February 1974), pp. 3–27; Robert J. Gordon, "The Responses of Wages and Prices to the First Two Years of Controls," in *Brookings Papers on Economic Activity* (3:1973) pp. 765–778; Blaine Roberts, Robert Lanzillotti, and Mary Hamilton, untitled manuscript on price controls to be published by the Brookings Institution, October, 9, 1973; Michael R. Darby, "Price and Wage Controls: The First Two Years," unpublished working paper, UCLA Department of Economics, January 25, 1974; Edgar L. Feige and Douglas K. Pearce, "The Wage-Price Control Experiment—Did It Work?" *Challenge* 16 (July/August 1973), pp. 40–44; Michael L. Wachter, "Phase II, Cost-Push Inflation, and Relative Wages," *American Economic Review* 64 (June 1974), pp. 482–491.

TABLE 1
Summary of Econometric Reviews of 1971–1974 Controls Program[a]

Author(s)	Description	Final Date Analyzed	Impact of Controls
Niskanen & Berry	Annual reduced form model with monetary/ fiscal variables	1972	No significant effect on wages or prices. Interest rates reduced suggesting lowered inflationary expectations.
Fortune	Quarterly 3-equation model with special consideration of nonfarm sector.	1973-II	Restrictive impact on wage & prices throughout Phases I–III. Price effect exceeds wage effect through Phase II, probably due to deferred, retroactive, and catch-up wage increases. By Phase III, wage effect exceeds price effect.
Gordon	Variation of a quarterly wage-price model including composition of unemployment and inflation threshold indexes.	1973-III	No significant effect on wages except through price effect. Price inflation significantly reduced. Resulting squeeze in profit margins will come undone when controls expire.
Roberts, Lanzillotti, Hamilton	Re-estimate of 3 quarterly wage-price models (including Gordon). Originally begun at Price Commission.	1972-IV	No significant (or perverse) effect on wages except through price effect. Price inflation restricted.
Darby	Quarterly monetarist price model.	1973-III	Significant restraining effect on prices. On institutional grounds, it is concluded that this must have been due to wage impact in union sector and price index distortions.
Feige & Pearce	Monthly ARIMA model using only previous history of wage or price series to develop forecast.	Dec. 1972	Phase I restrained both wages & prices. Thereafter, effect evaporates.
Wachter	Annual model of coefficient of variation of wages among 2-digit manufacturing industries.	1972	Wage structure behaved normally prior to and during controls. Therefore, there was no pre-controls cost-push pressure, and controls had no wage effect.

[a] References to articles appear in footnote 15.

ified Phillips curve tradition. Darby's study, in contrast, is based on a simple monetarist model. Instead of attempting to explain wage and price change, Wachter uses an indirect measure of "cost-push" pressure. Feige and Pearce use an ARIMA technique (autoregressive

integrated moving average) in which only the past history of the series under consideration is used for forecasting. They are thus spared the necessity of specifying an interactive model (much as stock-market chartists are spared from this unpleasant task in their profession).

Before the results of these studies can be reviewed, it seems important to ask whether applying the Perry method to the 1971–1974 program would be able to sort out "success" from "failure." In order to answer that question, it is necessary to determine what the program was intended to do. A cursory review of the program's history suggests the following interpretation:

In the early 1970s, the Administration began to worry about the buildup of inflationary expectations. This is not a phenomenon with which we have had much experience. The post-World War II inflation was expected by many to be followed by another Great Depression, and was viewed as a temporary response to the end of price controls. Inflation during the Korean War was accelerated by the threat of controls. The early overshooting of prices contributed to stable prices thereafter. By contrast, the Vietnam inflation occurred in a gradual buildup, and in a world where the memory of massive deflation had been largely eroded.

Without previous experience as a guide, it was difficult to assess the economic events of 1970 and early 1971. Much of the concern about the expectations effect centered in the labor market, where large adjustments were being negotiated for unionized workers in autos, steel, telephone, and railroads. These settlements provided first-year wage adjustments averaging about 11 percent, and similar settlements were expected in coal, aerospace, and longshoring. Some of the wage pressure was due to catch-up claims, accumulated from previous inflation. But it was feared that the 11 percent pattern would spread into situations where catch-up was not an issue, and even into the nonunion sector.

The controls instituted in 1971 must be viewed as an insurance policy against the spread of inflationary expectations. Catch-up was to be permitted, but the increases would be isolated as special exceptions. Downward pressure was to be exerted in the labor market. This would presumably carry over into the product market through the cost mechanism. The price controls simply formalized the cost-price relationship; unless wages were stabilized, officially linking prices to costs would have no more than a one-shot squeeze effect. It was possible that inflation might have slowed down by itself without controls. But it was thought that controls would guarantee that what was thought to be the "normal" relation between the state of demand pressure in the economy and wage/price determination would actually come about.

If this version of controls "worked" during the initial phase of the program, how would it be detected by the Perry method? Presumably, the run-of-the-mill econometric wage/price forecast should show no significant deviation from normality—a result which would also be consistent with ineffective controls. On the labor side, aggregate wage equations would not be expected to show much response through Phase II. The new union settlements—which the program aimed at—constituted only a small fraction of the labor force, owing to a light bargaining calendar in 1972 and the minority position of the union sector.[16]

The Niskanen-Berry study could be consistent with a "success" for controls, since it combines a finding of no significant impact on wages or prices through 1972, with a significant drop in interest rates. The latter could be regarded as a sign of lowered inflationary expectations. Feige and Pearce find no significant wage or price effect, and conclude the program was a failure. However, they include no index of expectations in their paper. The Fortune study, which runs through the first half of 1973, could be consistent with a limited "success." Fortune notes that the heavy schedule of deferred union wage adjustments would preclude much of a wage effect in 1972, but he finds significant wage restraint during Phase III, a sign that calmed expectations managed to persist in the face of the 1973 food price explosion.

The Roberts-Lanzillotti-Hamilton study finds a price impact, but no wage restraint through 1972. This finding could be consistent with the Fortune paper. But Gordon's study finds no wage impact, even in 1973, a result inconsistent with Fortune's conclusions. Without a direct wage effect, the price squeeze would eventually unwind. Darby also finds persistent price restraint into 1973, but his monetary model does not permit a judgment about the degree to which that price restraint reflected wage restraint. On institutional grounds, he believes that wage restraint in the union sector was probably a key factor.

Finally, Wachter's finding of no abnormal compression of the union/nonunion differential during controls could be consistent with success or failure, although he says failure. The manufacturing industries he looked at were particularly heavily weighted with deferred adjustments during 1972. Perhaps abnormally high deferred increases were balanced by abnormally low new adjustments, or perhaps he is just finding the overall normality which the controls program was

[16] Good union wage data are not available over a long period of time, except in particular sectors such as construction. D. Q. Mills finds a significant restraining effect on construction wages under the special industry controls which began early in 1971. See his "Explaining Pay Increases in Construction: 1953-1972" *Industrial Relations* 12 (May 1974), pp. 196-201.

supposed to ensure. His findings of a lack of abnormality prior to controls could indicate a *general* interindustry wage pressure, although his interpretation is that there was no cost-push.

I am not sorry that these studies were written; we would all be wondering what such efforts would uncover if no one had undertaken the work. But the three sins of econometricians are scattered about. Sin A appears in the form of a failure to specify the meaning of a controls "success" in the institutional framework of the 1971–1974 program. Sin B takes the form of a failure to account for the small weight of new union adjustments in overall wage indexes. As for Sin C, who can resist the temptation of believing the nuances of a model over which he has slaved?

In the area of wage-price controls, it may be that our methodological sophistication has outrun the quality of the available data. The director of the "Office of Wage Control Evaluation" in some future stabilization program will surely be tempted to apply the latest techniques to his task. And he should. Let us hope he also devotes some resources to the unglamorous improvement of the sources of wage information. And let us hope a similar allocation of resources is made in other areas of labor market analysis.

X. THE ECONOMICS OF BLACK EMPLOYMENT

An Interracial Analysis of the Determinants of On-The-Job Training

ALLAN G. KING
AND
CHARLES B. KNAPP
University of Texas at Austin

This paper analyzes differences in the rate of change in wages ($\dot{w}$) between black and white males. Because much on-the-job training (OJT) occurs informally, and is therefore difficult to measure directly, $\dot{w}$ has frequently been employed as a proxy for OJT [5, 6, 7].

While we also adopt this practice, we feel it is important to note the shortcomings of $\dot{w}$ an an index of OJT, particularly when making value comparisons between races. The observed value of $\dot{w}$ is the product of the amount of training an individual receives and the monetary returns associated with this training. Only if the rate of return is constant is $\dot{w}$ directly proportional to OJT. To assume that $\dot{w}$ indexes OJT in a similar way for workers of each race is to assert that racial differences occur only with respect to the amount of OJT received and not with respect to the rate of return granted that OJT. Such a presumption seems unrealistic. Thus we assume in this paper that $\dot{w}$ satisfactorily indexes OJT within races (i.e., the rate of return is constant within races) but not between races (i.e., the rate of return varies between races).

I. The Model

The model we estimate is suggested by the theory of segmented labor markets [2, 3, 4]. We regard a worker's opportunities for advancement as being primarily a function of the job he holds. While we acknowledge that considerable variation in careers is likely among individuals who are initially employed in the same job, it seems evident that a worker's current job conditions his employment opportunities.

This fact would be less significant in a labor market where

* Support of the University of Texas Population Research Center is ratefully acknowledged.

individuals had equal access to all jobs, providing they were willing and able to pay the rents associated with the more attractive opportunities. In such a world, the constraints represented by a worker's current job would merely reflect the results of a prior choice made from a larger set of options. The analysis of the choices made under these circumstances might proceed along the lines suggested by the theory of consumer behavior, with emphasis being placed on the effects of variations in individual wealth and the "price" of alternative careers.

In contrast, segmented labor market theory emphasizes the determinants of the supply of opportunities. Most of OJT is said to be either firm or industry specific and, as a result, workers bear only a fraction of the cost of the training they receive, with the remainder being paid for by the firm. Consequently, the firm may ration training opportunities, seeking those workers who can be trained most efficiently and those who offer the prospect of a long period of returns by virtue of their continued employment [8]. Since these characteristics are difficult to measure directly, employers develop screening criteria to select those workers possessing the desired characteristics. These criteria may frequently be based on characteristics for which information is easily obtained, i.e., a worker's race, sex, education, and previous employment record.

Because the wage structure within a firm may be rigid [2], workers who lack the desired characteristics are often unable to offer their services at lower wages, to compensate employers for the greater cost or risk involved in training them. As a result, the wage structure and the cost of training determine which workers get trained, and therefore advance, and which workers do not. Although these parameters are likely to be specific to each firm, available data allow us to consider the implications of this view only at the industry level.

Accordingly, we assume that a worker's rate of advancement or training depends on the industry in which he is employed (I) [1] and the job he holds within the industry (J). Further, we assume that J depends on the worker's personal characteristics (P) and the stability of his previous employment record (S). In summary, we postulate:

(1) $\dot{w} = f(I,J)$ and

(2) $J = g(P,S)$.

The reduced form of equations (1) and (2) yields:

(3) $\dot{w} = h(I,P,S)$.

II. The Data

The data set we use to estimate this model is the Johns Hopkins Retrospective Life History study. The sample consists of males aged 30-39 in 1968, who were asked to recall earnings, employment, and other

socioeconomic data from age 15 to the time of interview.[1] The manner in which the respondent's employment history is recorded poses three problems for this study.

First, the individual's job within a given industrial classification is not recorded in sufficient detail to permit equation (1) to be estimated directly.[2] This is the motivation for deriving the reduced form equation (3), which employs measures of the respondent's personal characteristics and the stability of his employment record.

Second, the respondents were asked to recall when, but not why, they changed jobs. Therefore, to represent the stability of a worker's employment record (S) by merely noting the worker's total number of job switches would be inappropriate. Since we do not wish to argue that a worker's future prospects are diminished by movement up the job ladder, these job changes should be excluded from our index. The procedure we adopt is to count only job changes which cross (one-digit) industry lines. While all categories of job switching involve some workers who move vertically and some who move horizontally, it seems evident that the broader the mobility cluster one employs, the more likely it is that movements will be horizontal rather than vertical. Therefore we feel that by counting only moves across industries we have minimized the number of vertical moves that will mistakenly enter the index.

Third, since the respondent reports only the longest job held during a year, estimates of $\dot{w}$ made across jobs of short duration are likely to be imprecise, since the duration of each job is not known for certain. To minimize this problem, we do not use data on jobs that were held for less than three years. It might be objected that this selection criterion excludes those individuals and jobs with the greatest turnover rates, and therefore excludes many members of the secondary labor market from the study. While this is true to an extent, we have in fact retained a major share of the total man-years worked by the sample.[3] Moreover, even if all observations on workers in secondary employment were excluded, the question of how a worker's past employment stability in-

[1] The survey was conducted under the direction of James Coleman and Peter Rossi, formerly of The Johns Hopkins University. The survey population is comprised of males aged 30–39 in 1968, residing in households in the United States. Two representative samples were drawn: (a) an national sample, and (b) a supplementary black sample. The total number of interviews was 1589; 738 blacks and 851 whites. This study investigates a panel of whites from the national sample and blacks from the national and supplementary samples.

[2] The survey records 3-digit Bureau of Census occupations. These codes however are too broad to be useful in specifying the types of job classifications implied in segmented labor market theory, where common jobs imply common skill levels. For example, in the Census classification a carpenter is classified as a carpenter whether he is a beginning apprentice or an accomplished journeyman.

[3] We have retained about 85 percent of the total man-years worked.

fluences his prospects for advancement upon gaining access to the primary labor market is itself of considerable interest.

One advantage of the survey is that it is longitudinal. Much of the previous research on earnings determination has been based on the use of "synthetic cohorts."[4] In contrast, the data employed in this study study allow us to observe the earnings received by the *same* individual as he moves from industry to industry, freeing us from many of the biases usually associated with studies of this type.

The sample analyzed in this paper is drawn from the full Hopkins survey described above. From the panel we selected only those periods during which an individual reported working at least three years in a given industry, treating each such period as a separate observation. There were 1354 observations for blacks and 1297 for whites.

III. Empirical Results

The results recorded in Table 1 are regression estimates of various forms of equation (3). In each equation the dependent variable is the annual rate of increase in earnings, $\dot{w}$. In equation (1), ten binary variables are included to represent the industry of employment; the excluded category is the military.[5] The estimated coefficient on each industry variable should be taken as a measure of the average annual rate of increase in earnings for each industrial category relative to the military. Separate equations are estimated for blacks and whites.

The results are generally consistent with the theory of segmented labor markets outlined in the previous section. In equation (1), the industrial effects are statistically significant in all cases for blacks and whites. Furthermore, the null hypothesis that these industry coefficients are jointly equal is rejected for both blacks and whites at the 5 percent level.[6] For blacks we find that earnings increase most rapidly in agriculture and least rapidly in public administration and finance, insurance, and real estate. For whites, agriculture is where earnings increase least rapidly, while earnings do rise rapidly in public administration, commercial services, and light nondurable manufacturing,[7] industries in

[4] A "synthetic cohort" is constructed using cross-section data. The practice assumes, if for example 1970 Census data were employed, that individual of various ages in 1970 represent longitudinal observations on a cohort. This method introduces biases because of changes in productivity and in the quality and quantity of education.

[5] Since military employment is not of specific interest to this study, military personnel serve as the excluded classification and their earnings are assumed to increase at a constant rate. Thus the coefficients on the other industrial variables can be interpreted relative to this base, within racial groups.

[6] The calculated F equals 2.116 for blacks and 2.82 for whites. For tests at the .05 level these values should be compared to $F^{9}_{1347} = 1.88$ for blacks and $F^{9}_{1290} = 1.88$ for whites.

[7] We define light nondurable manufacturing as Standard Industrial Classifications (SIC) codes 300–398 and heavy nondurable manufacturing as SIC codes 400–459.

TABLE 1

Coefficients Relating Job and Personal Characteristics to the Rate of Increase in Earnings

Variable	Equation 1		Equation 2		Equation 3	
	Blacks	Whites	Blacks	Whites	Blacks	Whites
Agriculture	.056** (.008)[a]	.028** (.007)	.084** (.010)	.042** (.011)		
Mining and construction	.028** (.007)	.045** (.006)	.044** (.010)	.057** (.010)		
Durable manufacturing	.033** (.006)	.046** (.006)	.022** (.008)	.028** (.010)		
Light nondurable manufacturing	.028** (.007)	.053** (.007)	.019 (.012)	.077** (.012)		
Heavy nondurable manufacturing	.045** (.010)	.043** (.010)	.044** (.017)	.050* (.024)		
Transportation, communication, & public utilities	.029** (.007)	.037** (.007)	.042** (.014)	.041** (.012)		
Wholesale & retail trade	.032** (.006)	.054** (.006)	.039** (.009)	.052** (.009)		
Finance, insurance & real estate	.025* (.011)	.053** (.009)	.015 (.028)	.062** (.022)		
Personal & professional services	.033** (.006)	.048** (.007)	.031** (.010)	.061** (.010)		
Public administration	.025** (.008)	.053** (.007)	.021 (.016)	.008 (.021)		
Number of industry switches	−.002* (.001)	−.001 (.001)			−.002* (.001)	−.0015 (.001)
Education	.002** (.0006)	.002* (.001)	.002* (.001)	.002** (.0007)	.0012* (.006)	.002** (.0007)
Experience	.0004 (.0003)	−.0001 (.0003)	.0004 (.0003)	−.0001 (.0003)	.0003 (.0003)	−.0001 (.0004)
Ability[b]	−.0004 (.0007)	.001 (.0008)	−.0005 (.0007)	.001 (.001)	−.0004 (.0007)	.001 (.0008)
Region[c]	−.005 (.003)	−.0007 (.004)	−.004 (.040)	−.0007 (.004)	−.004 (.003)	−.001 (.003)
Father's education	.0004 (.0004)	−.0001 (.0001)	.0005 (.0004)	−.0004 (.006)	.0004 (.0004)	−.0001 (.0004)
Composite industry					.033** (.005)	.045** (.004)
Switch (S) * agriculture			−.014** (.003)	−.005 (.003)		
S* Mining and construction			−.006* (.003)	−.004 (.0022)		
S* Durable manufacturing			.002 (.002)	.004 (.0022)		
S* Light nondurable manufacturing			.002 (.003)	−.007* (.003)		
S* Heavy nondurable manufacturing			−.001 (.005)	−.003 (.005)		
S* Transportation, communication, & public utilities			−.005 (.003)	−.002 (.003)		

TABLE 1 (*continued*)

Variable	Equation 1		Equation 2		Equation 3	
	Blacks	Whites	Blacks	Whites	Blacks	Whites
S^* Wholesale and retail trade			−.003 (.002)	−.0001 (.002)		
S^* Finance, insurance & real estate			.001 (.007)	−.003 (.006)		
S^* Personal and professional services			−.0001 (.002)	−.005 (.003)		
S^* Public administration			.0001 (.004)	.006 (.004)		
Constant	−.020	−.021	−.024	−.028	−.013	−.025
R^2	.056	.106	.075	.119	.042	.093
D.F.	1280	1337	1271	1328	1289	1346

[a] Standard errors are in parentheses; * denotes significance at .05 level, ** denotes significance at .01 level.

[b] Ability is measured by the respondent's score on a ten-question test on verbal ability.

[c] "Region" is a dummy variable that takes on the value one for the South and is zero otherwise.

which blacks fare relatively poorly. Overall, three of the five best industries for whites (as ranked by their net effect on $\dot{w}$) are among the worst four industries for blacks.

Interpreting $\dot{w}$ as a proxy for OJT, we find that the industries in which training seems to be most accessible to blacks (agriculture and heavy nondurable manufacturing) are sectors with declining or constant employment shares. In the expanding service sector, blacks are not faring well, while whites seem to advance with relative ease.

The impact of industry switching on $\dot{w}$ also differs by race. A history of industry switching has no significant effect on whites, although it does affect blacks adversely. For each industry switch made by a black, we estimate that his earnings rise by .2 percent less per year. As results presented below will indicate, this penalty is like a general tax, which does not vary across industries or affect the opportunities to enter an industry. It reduces $\dot{w}$ for blacks in whatever industry they find themselves.

In equation (2), we explore the possiblity that the effect of industry switching on $\dot{w}$ varies by industry. Where training is most industry-specific, employers will presumably be more reluctant to invest in workers who have exhibited higher degrees of instability. These effects are measured by the products of the respective industrial binaries and the number of industrial switches. There is little evidence in support of the hypothesis that the effect of employment instability on $\dot{w}$ is industry-specific,

as only two of the ten resulting coefficients are statistically significant for blacks and only one of ten is significant for whites.

Further evidence of the impact of industry switching on training is given in equation (3) Equations (1) and (2) measure the effects of industry switching holding the industry of employment constant; this specification fails to capture the effect industry switching may have in determining the industry in which a worker is employed. That is, a worker who has exhibited numerous changes in industry might be affected not so much by the opportunities he faces within a given industry, as by having his choice constrained to those industries where opportunities for training and advancement are limited. These effects may be reflected by the coefficient on job switching in equation (3), since industry-specific effects are suppressed. As equation (3) indicates, the hypothesized effect is evidently not strong, since the coefficients on the switching variables in equation (3) are virtually identical to their counterparts in equation (1), within each racial group.

Of the several socioeconomic variables included in the regressions, only education is statistically significant. Individuals of either race who differ by one year of schooling are estimated to have difference in $\dot{w}$ of $-.2$ percent.

A useful way of comparing the above results for blacks and whites is to ask what would happen to the average interracial difference in $\dot{w}$ (for blacks, $\dot{w} = 2.4$ per cent; for whites, $\dot{w} = 3.5$ percent) if blacks received the same values of $\dot{w}$ in each industry (i.e., the same quantity *and* returns to OJT) and the same penalty for industry switches as whites.[8] Any difference in $\dot{w}$ which remains after this adjustment can be attributed to the distribution of black employment. The adjustment results in an estimated value of $\dot{w}$ equal to 4.1 percent for blacks. Apparently, interracial differences in $\dot{w}$ occur not as a result of the industrial distribution of black employment but because of the combination of poorer training opportunities and rates of return they receive within an industry.

IV. Conclusions

This paper has analyzed the determinants of $\dot{w}$, a widely employed proxy for OJT, among blacks and whites. As theories of labor market segmentation suggest, important determinants of $\dot{w}$ for both races are the industry of employment, education, and (for blacks only) the previous number of industry switches. It is concluded, however, that the industrial allocation of black relative to white employment is not

[8] Since this coefficient is not statistically significant for whites, we assume it is equal to zero.

a primary cause of the slower rates of growth in black earnings. While the industrial distribution of employment is important in explaining differences among blacks, these differences are small in comparison to the interracial inequality in $\dot{w}$ within the same industry.

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Black Economic Progress in the South: The Role of Education

VIRGIL CHRISTIAN, JR.
University of Kentucky
AND
RAY MARSHALL
University of Texas at Austin

This paper examines some aspects of black economic progress in the South during the 1960s. Improvement in private, nonagricultural employment can be measured directly in terms of job acquisition, occupational position, earnings, unemployment and underemployment, and the like, and indirectly in terms of such supply considerations as education, health, and migration.[1] The entire spectrum of characteristics is too broad to encompass in a single paper: The main concerns of this paper are earnings and occupational status and the relationship these bear to educational attainment. Data are from the 1960 and 1970 *Censuses of Population* and from EEO-1 reports of the Equal Employment Opportunity Commission, and cover the 11 states of the Confederacy plus Kentucky and Oklahoma. However, the section dealing with education focuses on seven of the largest southern SMSAs—Atlanta, Birmingham, Houston, Louisville, Memphis, Miami, and New Orleans.

Occupational Changes, 1966–1969

Eight years have elapsed since the first reporting of EEO-1 data provided a benchmark against which yearly progress in the occupational status of blacks could be measured. The benchmark, unfortunately, is not reliable at high levels of disaggregation. It permits comparisons of occupational distributions and relative indexes of occupational positions aggregated over all industries and the whole region, and even for states and large SMSAs within the region, but disaggregation into two-digit SICs leaves the data vulnerable to erratic reporting and any interpretation must be made with extreme caution.[2] Aggregates for SMSAs are

[1] Observations of the authors on the status of black workers in agriculture can be found in Ray Marshall, *Rural Workers and Rural Labor Markets* (Salt Lake City: Olympus Publishing Co., 1974), and in Ray Marshall and Virgil Christian, Jr., *The Employment of Southern Blacks* (Salt Lake City: Olympus Publishing Co., 1975).

[2] EEO-1 employment data cover firms with 100 or more employees, or first or second level government contractors regardless of size. More importantly, a detailed examination of reporting unit coverages in southern metropolitan areas revealed that a substantial percentage of the units reported in only one of two years, 1966 and 1969, and even worse, of those which did report both years, some firms (some quite large) reported in one SIC the first year and a different SIC the second. It follows that analysis must not be built on the assumption that the data were generated by the same firms at different points in time, as in most SICs in most SMSAs, one large firm, by reporting or not reporting or by changing industry, could turn the numbers around completely.

given separately because, while blacks outside the South are found almost exclusively in SMSAs, nearly half of the 12.2 million southern blacks in 1970 were either on farms or in rural nonfarm areas, and it appears that significant numbers of them will remain outside the cities in the foreseeable future.

Occupational distributions for black males in the South in 1969 show a higher percentage in the top five occupational categories than in 1966, reflecting improvement in both urban and rural areas. Between 1966 and 1969 the percentage of black males in the top five categories increased from 3.52 to 5.54; the percentage in the top four increased from 2.27 to 4.54—the fifth being clerical, which has always been unimportant for black males. However, white males also made occupational gains, reflecting the increased skill requirements of southern industry, and what is more important, whites captured the lion's share of the additional good jobs. Total jobs reported in the top three categories rose from 796,000 to 1,008,000, a gain of 212,000, but blacks had only 8,000 of that gain. This statistic tempers the enthusiasm one gets from the jump made by black males—from less than 8,000 to more than 16,000—which is impressive when looked at in isolation.

Black women lagged far behind white women in the top five job categories at the time of initial EEO-1 reporting, 13.6 to 49.2 percent, but much of the difference was attributable to the clerical category, which showed 33.1 percent for whites, but only 5.0 percent for blacks. When the clerical category is dropped, white females constitute 16.0 percent compared with 8.6 percent for blacks—not quite two to one and a much better showing than was true for black males. By 1969 the percentages had changed to 18.4 percent for black women and 54.3 percent for white women in the top five classes and to 9.1 percent and 19.8 percent, respectively, in the top four. Sharp differences remaining in 1969 were in the clerical group, which had 34.5 percent for whites but only 9.3 percent for blacks, and in the bottom two—laborer and service—which in combination accounted for nearly 41 percent of black women and only 11 percent of whites.

Nonmetropolitan employment data reflect the continued presence of southern blacks in large numbers outside SMSAs, and they show a greater relative disadvantage for blacks despite a less sophisticated industry mix. *Six times as high a percentage of white males as black males were in the better jobs in the metropolitan areas, but the corresponding ratio was eight to one in the more blue-collar nonmetropolitan areas.* Two possible explanations for this result come quickly to mind: (1) a greater relative educational disadvantage of rural southern black

males than their metropolitan counterparts; and (2) the continuing strength of bias against blacks in the rural South.

Education, Occupation, and Income: Blacks in Seven Southern SMSAs

These statistics are in no way startling, and they parallel, at a somewhat lower level, those on black employment outside the South. That is, they show southern blacks, particularly black males, worse off both in the absolute and relative to whites than those in other sections of the country. They also show progress in occupational status but that the progress is slow. Previous work of the authors, and by their associates in the "Black Employment in the South" project, suggests strongly that progress must be measured in terms of factors affecting the supply side of the labor market as well as by developments in labor market procedures and institutions. Of these labor supply factors, education is by far the most important.

Educational achievement is but one of several factors associated with individual income. Differences in native intellectual capacity and in general knowledge acquired outside the classroom also are important, especially on-the-job training and experience, as are the income, wealth, and social position of a person's family. Intangible and difficult to quantify characteristics such as appearance and personality are critical to success in some occupations, particularly selling. Taken together, those factors present a real obstacle to precise measurement of the direct relationships between income productivity and education.

Nevertheless, there have been several attempts to isolate the separate impact of educational attainment on income and earnings.[3] The results of the racial studies have been disappointing to those who have argued that blacks would be brought to income and occupational equality as soon as they could be brought to equality in educational achievement.[4] It appears that neither average nor marginal rates of return are as high for blacks as for others in the labor force, particularly in the South, and the discrepancy becomes more marked as the educational level rises. Giora Hanoch, for example, estimated the marginal rate of return to the twelfth grade to be .188 for southern whites but only .12 for southern nonwhites, and similar return to the fourth year of college

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[3] Theodore W. Schultz, "Investment in Human Capital," *American Economic Review* 51 (March 1961); Herman P. Miller, "Annual and Lifetime Income in Relation to Education: 1939–1959," *American Economic Review* 50 (December 1960); H. S. Houthaker, "Education and Income," *Review of Economics and Statistics* 41 (February 1969); Giora Hanoch, "An Economic Analysis of Earnings and Schooling," *Journal of Human Resources* 2 (Summer 1967).

[4] Randall Weiss, "The Effect of Education on the Earnings of Blacks and Whites," *Review of Economics and Statistics* 52 (May 1970), p. 150.

at .110 for whites and .07 for nonwhites.[5] The subsequent inference that the solution to income equality lies outside the classroom seems inescapable, though a more cautious inference would be that the solution lies in part outside the classroom. More specifically, while empirical work on the problem indicates very strongly that educational equality is not sufficient to bring the black worker to income and occupational equality, it does not contradict the proposition that educational equality may be necessary.[6]

Disagreements about the primary causes of black labor market disadvantage have policy implications which are more than academic. The costs of misdirected remedial programs are enormous for whole generations of black people. Certainly the problems would be more manageable and the solutions quicker, from a political point of view, if overt labor market discrimination were the root of the matter. The notion that educational equality is necessary to bring black economic and social status up to white levels is resisted by many in both races: by blacks who feel that their problem lies on the demand side in the labor market and that sufficient pressure on employers would remedy the situation in short order; by whites who resent all attempts to bring about real racial integration of the schools, whether or not that is required for equality of educational opportunity.

There is another point worth mentioning in this context. For the individual black the decision to pursue more education may be independent of the question of fairness relative to whites; it depends on whether he or she, as a black, will benefit sufficiently in lifetime earnings to justify the additional investment. It is regrettable that the return may be less for minorities than for others, but it may still be most worthwhile in terms of present alternatives available to the particular individual.

The fact that blacks in all age brackets earn less at given levels of education is well established. This is true both in and out of the South, but it has been particularly true in the South. It is therefore interesting to see that the data from the 1970 Census show the magnitude of the difference to be in major southern SMSAs.

The 1970 Census data on the seven SMSAs indicate considerable educational disadvantage in the southern SMSAs for blacks relative to whites. About a third of all blacks and a fifth of whites had less than five years of schooling, the level generally regarded as necessary for

[5] Hanoch, *op. cit.*

[6] The implication for regression analysis is clear. Suppose A is a linear function of B or C, a necessary condition is met, but that A is unresponsive to changes in B if C has not reached some minimal level. The uncritical use of all three in a multiple regression model yields meaningless parameter estimates.

TABLE 1
Summary Table: Earnings of Blacks and Whites at Varying Educational Levels, Seven Southern SMSA's

Years of School	Males			Females		
	Black	White	Ratio[a]	Black	White	Ratio[a]
Less than 5	$4,416	$ 5,280	78.0	$2,175	$2,430	89.5
8	4,567	6,498	70.3	2,185	2,774	78.8
9 to 11	4,131	6,519	63.4	2,282	2,999	76.1
12	4,821	7,764	62.1	3,836	3,639	105.4
13 to 15	4,867	7,825	62.5	2,887	3,613	79.9
16	6,375	11,276	56.5	5,758	4,864	118.4
More than 16	8,653	11,264	76.8	7,500	6,689	112.1

[a] Black earnings to white earnings.

Source: 1970 Census of Population tapes. These data are for individuals with some earnings income. Earnings are defined to be wages, salaries, commissions, bonuses, tips. They do *not* include income from professional practice or nonfarm businesses. See U.S. Bureau of the Census, *Public Use Samples of Basic Records from the 1970 Census: Description and Technical Documentation* (Washington: U.S. Government Printing Office, 1972), p. 75.

functional literacy. The lowest percentages of functional illiteracy were for white females, white males, black females, and black males, in that order. The same order obtains for 12 or more years of schooling: 44.2 percent for white females, 42.9 percent for white males, 25.8 percent for black females, and 20.8 percent for black males.[7]

Table 1 shows black earnings relative to whites at various levels of education. For males, blacks have the greatest relative earnings in the less than five and more than 16 categories. Both of these phenomena undoubtedly reflect labor market characteristics relatively favorable to blacks. For jobs requiring very low levels of education, the demand for and supply of black males probably is relatively large; in the "more than 16" category the supply of black males is small relative to the demand, even when the demand represents token compliance with civil rights legislation or affirmative action requirements of government contractors. For the 8-to-16 years of schooling categories, black males' earnings relative to those of white males tend to decline with educational levels. Black females are better off relative to white females at given educational levels than black males are relative to white males, as can be seen from Table 1. Indeed, black female high school and college graduates and those with postgraduate college education actually earn more than white women in these educational categories. However, Table 1 also shows black males earning more than black and white females at every educational level.

The numbers in Table 1 also suggest that "credentialism" has a strong effect on earnings for all race and sex groups. All groups gain

[7] 1970 Census of Population tapes.

TABLE 2
Seven Southern SMSAs: Male Median Earnings and Indexes of Occupational Position By Race, Age, and Educational Level

Years of School	Under 30						30 and over					
	Earnings			Index			Earnings			Index		
	Black	White	Ratio	Black	White	Ratio	Black	White	Ratio	Black	White	Ratio
Less than 5	2,740	3,313	82.7	6,426	6,994	91.9	4,060	5,619	72.3	6,390	7,618	83.9
8	2,641	3,254	81.2	6,450	7,016	91.9	5,023	7,218	69.6	6,837	8,202	83.4
9 to 11	2,766	2,871	96.3	6,589	7,090	92.9	5,229	8,349	62.6	6,925	8,488	81.6
12	4,239	5,832	72.7	7,178	8,089	88.7	5,930	9,169	64.7	7,186	8,994	79.9
13 to 15	4,019	4,055	99.1	7,768	8,724	89.0	6,309	10,422	60.5	8,058	9,729	82.8
16	5,250	7,474	70.2	10,128	10,171	99.6	7,750	13,406	57.8	9,865	10,563	93.4
Over 16	7,500	7,341	102.2	9,702	10,676	90.9	9,077	13,474	67.4	10,733	11,050	97.1

Source: 1970 Census of Population tapes. Median income data used in calculating the Indexes of Occupational Position came from the U.S. Bureau of the Census, *Statistical Abstract of the U.S., 1972*. They show the following: professional and technical, 11,249; managers, 12,304; sales, 8,321; clerical, 7,965; craftsworkers, 8,833; operatives, 7,017; laborers, 4,839; and service, 5,568.

TABLE 3
Seven Southern SMSAs: Female Earnings and Indexes of Occupational Position By Race, Age, and Educational Level

Years of School	Under 30						30 and over					
	Earnings			Index			Earnings			Index		
	Black	White	Ratio	Black	White	Ratio	Black	White	Ratio	Black	White	Ratio
Less than 5	2,327	2,373	98.1	3,256	3,550	91.7	2,151	2,467	87.2	3,184	3,494	91.1
8	2,000	2,259	88.5	3,207	3,429	93.5	2,168	2,889	75.0	3,201	3,648	87.7
9 to 11	2,240	2,300	97.4	3,509	3,613	97.1	2,334	3,521	66.3	3,324	3,975	83.6
12	2,848	3,203	77.6	3,859	4,323	89.3	2,755	4,186	65.8	3,674	4,407	83.4
13 to 15	2,604	3,182	81.8	4,453	4,667	95.4	3,964	4,502	88.0	4,584	4,962	92.4
16	4,700	4,888	96.1	6,077	6,031	100.8	6,761	5,910	114.4	6,467	5,903	109.6
Over 16	6,200	5,938	104.4	6,300	6,349	99.2	8,195	7,348	111.5	6,488	6,395	101.5

Source: 1970 Census of Population tapes. Median income data used in calculating the Indexes of Occupational Position came from the U.S. Bureau of the Census, *Statistical Abstract of the U.S., 1972*. They show the following: professional and technical, 6,830; managers, 6,224; sales, 2,279; clerical, 4,646; craftsworkers, 4,276; operatives, 3,885; laborers, 3,151; service, 2,541.

at "credential" levels 12 years and 16 years; the absolute gain at the 16-year level is greatest for white males, but the relative gain is greatest for black females. The result is that white males and black females gain relative to black males and white females.[8]

If the civil rights ferment of the 1960s improved economic opportunities for blacks, it can be assumed that the improvement would be more perceptible among younger blacks than among older ones who entered the work force at a time when labor market discrimination was greater. Studies comparing returns to education by race without controlling for age are likely to be misleading if this conclusion is correct, and the numbers in Tables 2 and 3 are compatible with this hypothesis. They support the notion that returns to blacks being educated now are much closer to those of whites, and that it would therefore be unwise to conclude that education will not improve black economic conditions absolutely or relatively.[9]

Conclusions

1. Blacks have improved their relative earnings and occupational positions in the South in the recent past, but the progress has been slow and differences remain great. Progress appears substantial only if measured against the black's low position a decade ago.

2. There is considerable variation in the relative position of blacks by sex, age, educational level, and place of residence.

3. Education is important to blacks even though the rate of return may be less for them. Racial differences in earnings are less at given educational levels for young blacks than for older blacks, giving reason for hope that lifetime earnings profiles in the future will not diverge as sharply as they have in the past.

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[8] Occupational distributions at given educational levels roughly parallel earnings distributions. Black males are worse off relative to white males than black females are relative to white females, and black females at the high school level and above actually pass white females. However, it is to be emphasized that household service is excluded from all these data, which makes the position of black females at lower educational levels appear better than it would be if all employment were considered. Space constraints prohibit inclusion of the tables.

[9] Age cohort data in 1970 strongly suggest less divergence in earnings profiles at given levels of educational attainment than has been true in the past.

Changes in the Labor Market Position of Black Men Since 1964

WAYNE VROMAN
University of Maryland

This paper examines recent trends in the position of black men in the U.S. labor market. Macroeconomic data are studied from a time series perspective with particular attention to developments of the past ten years. If the Civil Rights Act of 1964 was followed by reduced racial discrimination, one would expect substantial changes in such labor market indicators as black/white earnings ratios, unemployment ratios, and related work experience measures.

After an examination of many labor market indicators for adult men, the paper concludes there is evidence of reduced racial discrimination. However, the evidence is far from unanimous in suggesting decreases in discrimination. Relative earnings measures for black men moved upward to higher levels after 1964, but black/white unemployment ratios and work experience indicators did not exhibit a continuing marked improvement after 1969. In fact, when all of the relevant data from the 1972–1974 period become available, the overall picture may be less optimistic than it was through the end of 1971. The magnitude of the labor market gains realized by black men in the past four years is significantly less than the gains of the late 1960s.

I. Measuring the Relative Labor Market Position of Black Men

Among the important indicators of a worker's position in the labor market are his occupation, his hourly wage rate, and how often he is subjected to involuntary unemployment. Compared to white male workers, black men typically experience more unemployment, work in lower status occupations, and receive lower wages. Since each of these factors affects annual earnings, black/white annual earnings ratios have frequently been examined in studies of the relative labor market position of black men. Four time-series analyses of black/white ratios are the papers by Ashenfelter, Freeman, Rasmussen, and Vroman.[1]

[1] Orley Ashenfelter, "Changes in Labor Market Discrimination Over Time," *Journal of Human Resources* 5 (Fall 1970), pp. 403–430; Richard Freeman, "Changes in the Labor Market for Black Americans, 1948–1972" in *Brookings Papers on Economic Activity* 4 (1:1973), pp. 67–131; David Rasmussen, "A Note on the Relative Income of Nonwhite Men, 1948–1964," *Quarterly Journal of Economics* 84 (February 1970), pp. 168–172; Wayne Vroman, "Changes in Black Workers' Relative Earnings: Evidence from the 1960's" in *Patterns of Racial Discrimination, Vol. II, Employment and Income*, eds. George von Fuerstenberg et al. (Lexington, Mass.: D.C. Heath, 1974), pp. 167–196.

Since Section II of this paper focuses on recent changes in these ratios, some comments should be made about their limitations as indicators of relative labor market status. Generally, increases in black/white earnings ratios signal improvement in the labor market position of black workers. If, however, the composition of one or both of the underlying working populations changes, this could affect median earnings and give false signals as to changes in relative labor market status.

Three compositional changes can be noted: (a) changes in average years of experience among labor market participants; (b) changes in age-specific labor supply characteristics as reflected in labor force participation rates; and (c) changes caused by the business cycle. The age distribution of the working population will change if younger workers enter the labor force in greater numbers or if retirement patterns change. The effects of such changes on average experience are held constant later in the paper by using fixed age-weighted earnings medians. (See equation 3.3 in Table 3.)

The compositional effects caused by changes in age-specific labor supply characteristics and by changes in unemployment can be studied using data on labor force participation and annual work experience. Besides the labor force participation rate (L), two indicators of annual work experience merit attention: the proportion of the population that worked (P), and the proportion of the population that worked full-time, full-year (F).[2] For adult men aged 25–64, these series were examined using a trend-cycle regression framework for the 1958–1972 period. Each fraction was regressed on U (the unemployment rate for men 25 and older) and T (a linear trend which started with 1958 = 1).

Table 1 displays the regression results. For each variable the t-ratio appears in parentheses beneath the coefficient. Summary statistics are: the R^2, unadjusted for degrees of freedom; S.E., the standard error of estimate; and D.W., the Durbin-Watson statistic.

In all six equations there is a significant association between the adult male unemployment rate and the work experience measure. Higher unemployment leads to reductions in P, F, and L for men of both races, but the reductions in F, the proportion in full-time, full-year work status, are especially large. Note that for each dependent variable, nonwhite men are more sensitive to the business cycle than are white men.

The trend coefficients in Table 1 are particularly interesting. Signifi-

[2] Work experience data are published annually by the U.S. Bureau of Labor Statistics. See, for example, U.S. Bureau of Labor Statistics, "Work Experience of the Population in 1972," *Special Labor Force Report No. 162* (Washington: U.S. Government Printing Office, 1974). These publications show breakdowns by race (white and nonwhite) starting in 1955, and since 1958 they are available by race for persons aged 25–64.

TABLE 1

Trend and Cyclical Behavior of Adult Male Work Experience Measures, 1958–1972[a]

Dependent Variable	Independent Variables			Summary Statistics		
	a	*U*	*T*	R^2	S.E.	D.W.
			Nonwhite Men Aged 25–64			
P, Proportion who worked	.986 (89.23)	−1.023 (4.98)	−.00360 (6.35)	.771	.0063	1.78
F, Proportion who worked full-time, full-year	.680 (28.45)	−2.938 (6.46)	.00483 (3.94)	.946	.0137	2.03
L, Labor force participation rate	.960 (153.69)	− .395 (3.32)	−.00449 (14.02)	.963	.0036	1.91
			White Men Aged 25–64			
P, Proportion who worked	.980 (245.36)	− .316 (4.15)	−.00150 (7.30)	.826	.0023	1.02
F, Proportion who worked full-time, full-year	.849 (52.34)	−2.447 (7.92)	−.00010 (.12)	.919	.0093	.97
L, Labor force participation rate	.971 (303.50)	− .202 (3.32)	−.00228 (13.91)	.962	.0018	1.64

[a] Data sources for *P*, *F*, *L*, and *U* are U.S. Bureau of Labor Statistics publications.

cant downward trends in *P* and *L* are observed for all men, but the nonwhite trends are roughly twice the size of the white trends. With respect to full-time, full-year work, however, there is no trend among whites while nonwhite men show a significant upward trend of about .005 per year. Thus full-time, full-year work was actually becoming more prevalent among adult nonwhite men even though their overall participation rate was declining. From Table 1 it would seem that decreased participation between 1958 and 1972 was concentrated among men of both races whose labor force attachment has usually been on a less than full-time, full-year basis.[3]

The results of Table 1 provide a convenient background for discussing measurement of the relative labor market status of black men. Over the 1958–1972 period the size of the nonwhite full-time, full-year work force was quite responsive to the business cycle, and it exhibited a significant upward trend. It is probable that workers who move into full-time, full-year status have lower annual earnings than workers already in that situation. If so, this movement would retard secular increases in the earnings median among nonwhite men who are measured as full-time, full-year workers. Consequently, annual changes in the black/white

[3] If racial discrimination in the labor market declined after the 1964 Civil Rights Act, one might expect a change in the behavior of *P*, *F*, or *L*. Regressions on the nonwhite data using both a 0–1 dummy variable and a post-1964 trend variable gave no statistical support to this idea.

earnings ratio among such workers would not be a good index of changes in relative position unless one also knew how the proportions of black and white workers in full-time, full-year status were changing.[4]

Similar criticisms can be made about black/white earnings ratios among all workers with earnings. The cyclical movements into and out of this category, however, are much smaller than movements into full-time, full-year work status. (Compare the unemployment coefficients in the P and F equations of Table 1). Also, the secular trends in P for men of the two races are at least in the same direction even though they differ in size. Thus black/white earnings ratios among all workers with earnings are probably better indices of changes in labor market status than are ratios among full-time, full-year workers.

Earnings ratios among all workers could be improved if the medians were based on earnings distributions which assigned zeros to people who involuntarily did not have earnings due to unemployment and to unemployment-induced labor force withdrawal. From the size of the unemployment coefficients in the equations of Table 1, it seems clear that adding involuntary zero earners to the underlying distributions would increase the cyclical volatility of black/white earnings ratios. Since these additions cannot be made easily, one should at least report racial differences in unemployment rates and work experience indicators like P, F, and L as well as median earnings ratios in trying to assess the relative position of black workers in the labor market.

To illustrate some of these racial differences, Table 2 displays unemployment rates and the three work experience variables from Table 1 for nonwhite and white men aged 25–64. The years selected cover the decade of the 1960s as well as 1971 and 1973. Three things are noteworthy in the table. First, the relative position of adult nonwhite men is uniformly below that of white men for all series and for all years. Unemployment rates are consistently higher and P, F, and L are consistently lower. Racial differences are especially large when one compares the fractions of men who worked full-time, full-year. Second, there is a narrowing of the nonwhite/white unemployment ratio between 1964 and 1969—from 2.4 to 1.9. Third, since 1969 there is no marked improvement in the relative position of nonwhite men. The unemployment ratio was roughly stable, while P, F and L all trend downward more rapidly for nonwhites.

Table 2 does not suggest a continuing improvement in the relative

[4] The large cyclical changes in the size of the underlying work forces may partly explain why both Ashenfelter, *op. cit.*, and Freeman, *op. cit.*, did not obtain very satisfactory results in regressions to explain changes in black/white ratios among full-time, full-year workers.

TABLE 2
Macroeconomic Labor Market Indicators for Adult Men, 1959–1973

Labor Market Variable	1959	1964	1969	1971	1973
			Nonwhite Men 25–64		
U, Unemployment rate	.097	.069	.028	.056	.043
P, Proportion who worked	.924	.932	.926	.906	.885
F, Proportion who worked full-time, full-year	.542	.612	.671	.649	.648
L, Labor force participation rate	.930	.916	.897	.885	.870
			White Men 25–64		
U, Unemployment rate	.037	.028	.016	.033	.023
P, Proportion who worked	.960	.960	.957	.949	.944
F, Proportion who worked full-time, full-year	.730	.775	.797	.764	.778
L, Labor force participation rate	.955	.949	.939	.932	.922

Source: All data taken from U.S. Bureau of Labor Statistics publications.

position of nonwhite men since 1969. If anything the 1971–1973 period gives hints of retrogression; the unemployment ratio rose slightly from 1.7 to 1.8, while all three work experience indicators declined more rapidly for nonwhite men. These recent changes occurred despite the fact that 1971–1973 was a period of cyclical expansion in the economy.

II. Explaining Changes in Black Male Relative Earnings

Three potentially important determinants of black male relative earnings are the relative educational position of black men, the industrial distribution of employment, and labor market discrimination against black men. Each of the three has changed through time, and each one can be partly responsible for movements in black/white earnings ratios. Time series multiple regressions are used in this section to isolate their separate effects.

Black-white differences in educational attainment have narrowed considerably since World War II.[5] For adult men aged 25 to 64, the nonwhite educational attainment mean rose from 6.9 years in 1950 to 9.8 years in 1970, while the white mean increased from 10.2 to 11.9. Since these years of the life cycle are the years of high annual earnings, this increase in relative attainment, from .68 in 1950 to .83 in 1970, would be expected to raise black male relative earnings.

The earnings of black men in manufacturing and transportation are

[5] Racial differences in other human capital components such as the quality of education and the quantity and quality of on-the-job training have probably also lessened. Since we have no good measure of these stock components, however, we are less certain in making these assertions. Work by Welch does suggest a narrowing of racial differences in educational quality. See Finis Welch, "Black-White Differences in Returns to Schooling," *American Economic Review* 63 (December 1973), pp. 893–907.

high in comparison to most other industries.[6] Thus expansion of employment in manufacturing and transportation might raise the aggregate black/white earnings ratio. Both cyclical downturns and the secular decline in the relative importance of these same industries probably exert a depressing effect on the overall black/white ratio. These effects will be larger as the labor market is more segmented so that employment outside manufacturing and transportation is generally less available and less remunerative for black men.

If labor market discrimination against black men decreased after the 1964 Civil Rights Act, relative earnings should be favorably affected. It also seems likely that any positive impact on relative earnings would be cumulative since 1964 rather than instantaneous. Freeman and I each have found evidence of a cumulative impact and that will be tested again here.[7]

The model to be examined has the following specification:

$$R = a + bEd. + cInd. + dT65 \tag{1}$$

where R = the black/white median annual earnings ratio; $Ed.$ = the black/white mean educational attainment ratio; $Ind.$ = wage and salary employment in manufacturing and transportation as a fraction of all nonagricultural wage and salary employment; and $T65$ = a post-1964 time trend to capture effects, if any, of reduced labor market discrimination. This was tested using annual time series data from the U.S. Census Bureau's Current Population Survey (CPS) and with data from the Social Security Administration's Continuous Work History Sample (CWHS). The methods used to measure the variable are described in the appendix.

The results of fitting the model to CPS and CWHS earnings data appear in Table 3. Summary statistics and t-ratios are the same as in Table 1. Equation 3.1 was fitted to CPS data for the years 1948–1972. Overall, about three-fourths of the variation in the ratio was explained for this period. All three regression coefficients have expected signs, and all are significant at the .05 level under a one-sided t-test. It is clear, from an examination of the individual coefficients, that the post-1964 trend contributed very strongly to the explanation of recent changes in the earnings ratio.

Fitting the same equation with CWHS data from 1957–1971 (equations 3.2 and 3.3) yielded qualitatively similar results. When equations 3.2 and 3.3 are compared, the importance of age-weighting is also evident.

[6] Data from the 1970 Census show the overall median for black male wage and salary workers was $5246. In manufacturing and transportation, the medians were $5765 and $5848, respectively. These medians appear in Table 21 of Subject Report PC (2) -7b of *Industrial Characteristics* of the 1970 Census.

[7] Freeman, *op. cit.*, pp. 67–131; Vroman, *op. cit.*, pp. 167–196.

TABLE 3
Relative Earnings Regressions for Black Men

Equation	Independent Variables				Summary Statistics		
	a	*Ed.*	*Ind.*	*T65*	S.E.	R^2	D.W.
Relative earnings of nonwhite men 14 and older, CPS data, 1948–1972							
3.1	−.580	.836	1.358	0.161	.765	.023	2.16
	(1.03)	(1.91)	(2.15)	(5.21)			
Relative earnings of black men 16–64, CWHS data, 1957–1971							
3.2	.035	.369	.519	.0146	.924	.013	1.20
	(.08)	(1.05)	(.91)	(4.95)			
Relative earnings of black men 16–64, CWHS data with fixed age weights, 1957–1971							
3.3	−.823	1.002	1.565	.0175	.986	.006	1.45
	(3.47)	(5.52)	(5.31)	(11.51)			

The medians underlying the black/white ratios in equation 3.3 were fixed weight averages (1964 employment as weights) of ten age group medians (16–19, 20–24, . . . , 60–64). Holding the age mix of employment constant yielded a higher R^2 and greater significance for all three regression coefficients. The standard error of estimate in equation 3.3 is half the size of the error in equation 3.2.

Overall, these empirical results portray a consistent and understandable pattern. Industry mix and education both exert a significant impact on black male relative earnings.[8] An acceleration in relative earnings occurred after 1964. Notice also that point estimates in equation 3.3 closely resemble the estimates in equation 3.1. Finding similar results on different data bases increases the credibility of the individual equations.

Summary

Considering Sections I and II together, the evidence yields a mixed picture. There were sharp gains in relative earnings for black men after 1964. Cumulatively the post-1964 trend accounted for a total increase in the black/white median annual earnings ratio of .11 or .12 by 1971. I interpret the trend to be a proxy for the effects of gradual reductions in labor market discrimination which followed the Civil Rights Act.

[8] Qualitatively similar results were obtained when the industry mix variable was measured to include public administration along with manufacturing and transportation.

Other labor market indicators such as black/white unemployment ratios and the work experience measures studied in Section I did not consistently improve for black men after 1964. In fact, there were suggestions in the 1971–1973 data of a recent worsening in the situation for black men.

Thus, extreme interpretations of labor market developments during the past decade (seeing either no changes or seeing the complete collapse of racially discriminatory barriers) are not supported by the evidence. Overall, it seems there has been improvement in the relative position of black men, but very large racial disparities still persist. Current tasks for discrimination research are to isolate with more precision the forces which caused these changes in the labor market, and to distinguish the successful from the unsuccessful public policy initiatives of the past decade.

Appendix

The data series used to test the relative earnings model of Section II are described here in the order of their appearance in equation (1) of the text.

1. R This is the black/white ratio of median annual wages and salaries. Aggregate data for all white and nonwhite workers 14 and older were taken from annual CPS tabulations. Medians from the Social Security CWHS were calculated for all black and nonblack men aged 16–64 and for five-year age groups. The medians were estimated from detailed interval data using procedures developed by Fritz Scheuren and Lock Oh of the Social Security Administration.

2. *Ed.* Educational attainment means for white and nonwhite men were calculated from attainment distributions appearing in decennial Census publications. The ratios refer to men aged 25–64. All ratios were benchmarked at five-year intervals from 1945 to 1970 and interpolated linearily for intervening years.

3. *Ind.* This ratio is based on BLS wage and salary establishment employment data. The data refer to all wage and salary employees in nonagricultural industries and are not available by race, sex, and age.

4. $T65$ This post-1964 trend equaled zero for all years through 1964. It was set at one in 1965 and increased by one in all subsequent years.

DISCUSSION

JAMES A. HEFNER
Morehouse College

The fact that there are sizable black/white income and employment differentials in what is now called the New South, in light of its recent rapid industrialization, is alarming but not, as Christian and Marshall imply, surprising. The New South, needless to say, will continue to industrialize and attract new industry, new people, and southerners who have migrated elsewhere, but rapid industrialization—the kind which closes the money and real income gaps between the South and the non-South—could be easily jeopardized if blacks are separated from the economic development process. Indeed, southern economic development and the development of the southern black potential are inextricably linked. On the supply side, this means education. At present, however, "neither the average nor marginal rates of return [on education] are as high for blacks as for others in the labor force, particularly in the South, and the discrepancy becomes more marked as the educational level rises." (p. 289)

The few comments that I shall make regarding the Christian-Marshall paper are not critical ones. I very much enjoyed the paper. Rather, my comments are designed as complements and not substitutes. They will be historical and contemporaneous in nature.

Education, as Christian and Marshall imply, is the main cog in the economic development process. Alexander Heard, a political scientist, notes that "many varied factors affect the rate and scope of economic development, and many of these are not subject to man's control . . . but one particularly requires emphasis in the contemporary South. It impinges on everything else, including racial matters, political processes, and economic prosperity. This is education."[1] Heard continues by saying that "the Southern lag has always reflected, and been reflected, in the low educational achievement of the Southern people."[2]

Thomas Clark states unequivocally that "education has been the South's greatest challenge" and characterizes southern efforts to better education as the greatest crusade.[3] Ironically, while most experts agree that education is needed for the New South's economic development,

[1] Alexander Heard, "Introduction," in *The American South in the 1960's*, ed., Lawrence L. Durisch (New York: Frederick A. Praeger, 1964), p. XII.
[2] *Ibid.*
[3] Thomas D. Clark, "The South in Cultural Change," in *Change in the Contemporary South*, ed., Allan D. Sindler (Durham: Duke University Press, 1968), p. 149.

the South's education problem has traditionally revolved around the agrarian economy. Length of time in school was drastically curtailed during the King Cotton Era. Children then were needed in the fields for planting and harvesting the crops, so education suffered. Then came the Jim Crow system, within the framework of the separate but equal doctrine, as established by the Supreme Court. The dual education system placed a heavy burden on already inadequate education funds.

Immediately after reconstruction, when southern whites regained control, the first action was to reduce state expenses.[4] As a result, school tax levies were drastically cut. However, the effort was self-defeating because instead of properly supporting one efficient school system, the South attempted to fund two systems—one black, one white. "Necessarily both systems were inadequate."[5]

Around the late 1930s the Supreme Court began to seriously question the separate but equal doctrine, and it appeared, indeed, that the Court would repeal the doctrine. "Faced with this possibility, Southerners [frantically] adopted a new strategy. Conceding now that Negro schools were inferior to white schools, they started a massive building campaign to make them equal in all tangible assets, holding that such a demonstrable effort to equalize facilities would deter the Court from making a frontal assault on the doctrine itself."[6] The new strategy did not help. On May 17, 1954, the Supreme Court repealed the *Plessy* doctrine. The decision was the beginning of a new era, commonly referred to as the Second Reconstruction.

But the so-called Second Reconstruction has not eliminated the black labor market disadvantage. The Christian-Marshall paper reflects this. It also reflects that the black disadvantage is receding somewhat but all too slowly. The New South needs, no doubt, a "new mentality" regarding its use of the black population as it goes about "planning in order to realize the economic advantages it possesses and to overcome or minimize the handicaps under which it operates."[7] To do less invites the sage comments of Gertrude Stein: "A trend is a trend is a trend. The question is will it bend. Will it alter its course through some unforeseen force and come to a premature end."

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[4] Holland Thompson, *The New South* (New Haven: Yale University Press, 1919), p. 163.

[5] *Ibid.*, p. 164.

[6] Paul M. Gaston, *The New South Creed* (New York: Alfred A. Knopf, 1970), p. 236.

[7] Lawrence L. Durish, "Southern Regional Planning and Development," in *The American South in the 1960's* (New York: Frederick A. Praeger, 1964), p. 58.

DISCUSSION

GLENN C. LOURY
M.I.T.

The papers of King and Knapp and Wayne Vroman both represent interesting studies in the Economics of Black Employment. The Vroman study analyzes aggregate data on black earnings, occupational status, and unemployment to determine the extent to which progress in the labor market position of black men has occurred in the period after the Civil Rights Act of 1964. King and Knapp, on the other hand, concern themselves with a micro-economic analysis of racial differences in the determinants of on-the-job training. In these comments I will examine the papers in turn, making a few observations on what appear to be methodological difficulties, as well as discussing the significance of the results. I will conclude with some remarks of a more general nature on the problem of analyzing differences in the labor market experiences of black and white workers, and determining the role which economic discrimination plays in sustaining those differences.

The King-Knapp study utilizes a mixture of standard human capital theory and the notion of labor market segmentation to rationalize a specification which relates the annual flow of on-the-job training which an individual receives to his personal characteristics (education, experience, ability, etc.), the industry he works in, and the stability of his previous employment experience. The annual rate of change in the wages of an individual is used as a proxy for on-the-job training. This embodies the implicit assumption that the rate of return to on-the-job training is constant over the (15-year) period of their analysis. It would be helpful in evaluating their results for some support of this assumption, which was not explicitly acknowledged in the paper, to be advanced. A more serious flaw, however, is their failure to account for the simultaneity problem with the inclusion of employment stability as an explanatory variable. While the annual rate of change of wages depends on the job of the individual which in turn depends on the stability of his employment history, it is certainly also true that the frequency of incidence of job change depends negatively on the annual rate of wage increase. This makes s an endogenous variable in their model, and implies that the coefficient estimates derived by ordinary least squares regression techniques are biased and inconsistent. While the bias of the employment stability coefficient weakens their conclusion that employment stability is a significant determinant of on-the-job training for

blacks, it renders inoperative their finding that on-the-job training is less sensitive to unstable employment history for whites than for blacks. This is because the coefficient in the regression for whites is also biased, and one cannot determine a priori the relative size or direction of the bias. Whether or not the application of the correct statistical procedures would support their results, however, remains to be seen.

The Vroman study represents a refreshing look at the question of relative economic gains for black men in the post-Civil Rights Act labor market. His analysis of this issue is not restricted to earnings alone, but includes a consideration of the changes in other important indicators of labor market experience such as the unemployment rate, the labor force participation rate, and the percentage of workers enjoying full-time employment. A major contribution to the policy debate on this issue is his observation that changes in relative earnings, by themselves, give an incomplete picture of changes in the labor market experiences of black workers. In fact, when one considers these other aspects of labor market experience, the clear-cut conclusion that blacks have made significant progress in the past ten years recedes into ambiguity. Another important finding is the sensitivity of the relative gains which blacks have made to cyclical fluctuations in economic activity. Vroman seems to attribute this to the high concentration of black employment and earnings in industries which are themselves sensitive to the business cycle. Unfortunately, he does not attempt to corroborate this hypothesis by examining how far it goes toward explaining the well-documented backslides in the relative earnings and employment of blacks which occur during times of economic decline. It would be useful to know the extent to which pro-cyclical movements in the relative earnings of blacks are an artifact of the distribution of black employment across industries.

I must take issue, however, with the interpretation which Vroman gives to his regression results presented in Table 4. The positive and significant coefficient of his post-1965 time trend variable is taken as evidence of gradually diminishing labor market discrimination against blacks. While casual empiricism suggests that overt racial discrimination has declined somewhat in the period since 1965, this time trend could be capturing any number of structural changes (secular economic growth, improvement in the relative quality of black education, interregional or rural-urban black migration, etc.) which occurred over the period. It is not possible, on the basis of his analysis, to distinguish these effects from the effect of diminished labor market discrimination.

Finally, I would like to add a word on the direction of research in the economics of discrimination. Economic theory generally concentrates on explaining individual behavior, and the theoretical underpin-

nings of discrimination research represent no exception. As a result, we often lose sight of the reason for examining these questions in the first place, which is the existence of *systematic* differences in economic well-being between people of different races in this country. The notion that these differences exist because individuals exercise discriminatory preferences in making economic decisions seems rather incomplete. It leaves insufficient room for analysis of the role which institutional behavior plays in this whole process. History matters a great deal in determining the structural context within which individual economic behavior takes place. Hopefully, in the almost 20 years which have passed since Becker's initial work, we have learned that the employer's "taste for discrimination" is only the tip of the iceberg.

XI. NEW DEVELOPMENTS IN PUBLIC SECTOR ARBITRATION

Legislated Interest Arbitration

CHARLES M. REHMUS
University of Michigan

The important changes that public sector collective bargaining has brought to our society have been achieved for the most part under laws that expressly prohibit or do not confer the right to strike on public employees. Yet the continuing increase in the membership and strength of public sector unions has been paralleled by a rise in the number of job actions and strikes undertaken by public employees when collective bargaining negotiations fail. Our legislative bodies have increasingly turned to legislated interest arbitration as the alternative to the strike. As of this time, at least 12 of the United States, the Canadian statute for federal employees, and the U.S. Postal Corporation Act provide for binding interest arbitration to resolve public employment labor disputes. In addition, a significant number of cities have also opted for such an alternative.[1] Experience during the last half-dozen years with such statutes has now been sufficient that we may begin, at least tentatively, to evaluate whether legislated interest arbitration serves the public interest.

Binding Arbitration and Democratic Government

Some critics have maintained that imposition of contract terms upon an unwilling party represents a fundamental derogation of our democratic system, which is dedicated to freedom of choice. Others have challenged the delegation of governmental authorities' powers to appropriate funds to arbitration panels as unsound in principle because it strikes at the foundation of representative government. They contend that legislative responsibility and accountability cannot be transferred in its entirety to a pro tem appointed board. This view is perhaps epitomized in the

[1] A complete listing and analysis of these statutes and ordinances through 1972 may be found in Joan Zeldon McAvoy, "Binding Arbitration of Contract Terms: A New Approach to the Resolution of Disputes in the Public Sector," 27 *Col. L. Rev.* 1192–1213 (1972).

dissenting opinion of the city's member of an arbitration board appointed in one of the earliest arbitration awards rendered in Michigan. He asked, "Who elected the arbitration panel of which I am a part? To whom is this panel responsive? What pressures can the citizens . . . bring to bear on the panel? How do they express their satisfaction or dissatisfaction with the decision?"[2]

Answers to such questions must in part be philosophical and in part practical. Rampant disregard of antistrike laws also erodes the foundations of government. If binding arbitration is necessary and sufficient to forestall illegal strikes, it too strengthens our democratic system. Moreover, it is not at all clear that arbitration is any more corrosive of free decision-making than collective bargaining itself can sometimes be. A voluntary settlement accepted by one party only because the other has beaten it into submission may in truth be no less imposed than a decision rendered by a neutral, particularly if that neutral is indeed responsive to the needs and interests of both parties.

Secondly, it is not at all clear that binding arbitration awards invariably represent an imposition of terms to which the parties themselves are unalterably opposed. Nearly two-thirds of the arbitration awards rendered by tripartite panels thus far in Michigan have been unanimous, and a national survey of American Arbitration Association cases shows the same. Even where dissents have been written, we know of many cases where these are purely "for the record" rather than a manifestation of genuine opposition. Although some fear that arbitrators will impose unworkable or unreasonable contract terms on bargaining parties, experience to date is proving that arbitration has not resulted in a large number of third-party determinations imposed without regard to the needs or wishes of the parties.[3]

Labor leaders, although traditional opponents of binding arbitration as an improper interference with free collective bargaining, appear to be beginning to lend qualified support to interest arbitration experiments in the public sector. Police and firefighter representatives have lobbied for the establishment and continuation of many of our state arbitration statutes. Jerry Wurf, I. W. Abel, and George Meany all have suggested that their traditional concern about interest arbitration may be outweighed by the risks of insisting upon an inviolable right to engage in economic warfare under any and all circumstances. Finally, and most significantly, the Municipal Leagues in those states which have the

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[2] Dissenting opinion of Arbitrator Jenner in *City of Marquette* v. *Marquette Police Local* (unpublished, March 26, 1970).

[3] Arvid Anderson, "Interest Arbitration in the Public Sector: An Idea Whose Time Has Come," Pace University Conference, May 15, 1974, p. 13 (unpublished).

greatest experience with arbitration are not at present mounting campaigns to repeal or amend these statutes.

Incidence of Strikes

A second aspect of the conventional wisdom regarding binding interest arbitration is that it is ineffective because it will not eliminate strikes. The only reasonable answer to this challenge is to admit that binding arbitration may not eliminate all strikes, but the data clearly show that it substantially reduces their frequency.

Five strikes by firefighters took place in Michigan prior to our arbitration statute. None have occurred since. One or two police strikes occurred after the enactment of compulsory arbitration, at least one of these because of a city's refusal to implement an award, but none has taken place in the last three years. No strikes have been called by police and firefighters in Pennsylvania since that state began its experiment with arbitration in 1968. The experience in Minnesota, Nevada, and Wisconsin is similar. While no one can be sure that this contemporary favorable record will continue into the indefinite future, it does seem clear that the attack on binding arbitration as being ineffective in its basic purpose is wholly unfounded, at least up to the present time.

The Effect on Collective Bargaining

The major attack on binding arbitration by its critics is that it will have a "chilling" effect upon the bargaining process. The argument has been that binding arbitration will undermine collective bargaining whenever either party anticipates that it might gain more from arbitration than from negotiation. Moreover, it is alleged that the parties will evade responsibility for a hard decision and will maintain unrealistic positions, hoping and anticipating that the arbitrator will draw a line somewhere in the middle. Arbitration, it is said, will inevitably be attractive to small unions or those unfavorably situated and without the muscle to force concessions from an employer. All of these arguments appear plausible; none appears to be strongly supported by the available data.

The experience in Pennsylvania seems to support these forebodings. Thirty percent of bargaining parties in public safety negotiations there go to arbitration and receive awards. The recent experience has been somewhat better than the earlier period, however, as the parties have gained in experience and sophistication. Moreover, it has been suggested that Pennsylvania's failure to provide mediation to parties who have

arbitration available has had a major impact upon the unusually high incidence of arbitration in that state. In Wisconsin, on the other hand, the experience over the last several years has been that the parties will request arbitration in only about 15 percent of the situations when it is available to them. Admittedly, this rate is considerably higher than the number of strikes that presumably would have occurred if they were legal or a reasonable alternative for the unions.[4] But this 15 percent figure must further be tempered by another fact; because of settlements during the proceedings, the number of awards rendered, even after arbitration has been instituted, is only 70 percent of the number of requests. In Michigan, the rate of petitions is higher than in Wisconsin, but because nearly two-thirds of the disputes in which arbitration has been petitioned for are settled without the need for an award, the ultimate rate of awards in Michigan is about the same as in Wisconsin—about 10 percent of all negotiations. In two such widely separated jurisdictions as New York City and Nevada, the number of arbitration awards rendered approximates 7½ percent of the number of negotiations in which it is available.[5]

Several factors have been suggested as to why the rate of requests for arbitration and the number of awards rendered have not been nearly so great as was originally feared. In part, the answer may lie in the costs of the arbitration process. It has been estimated that the costs to a party for its share of the neutral's charges, to pay its own delegates and representatives, and perhaps to pay an attorney to prepare and present its case, range from $2,500 to $10,000 per case.[6] In large cities the cost to the parties may well exceed these amounts by a factor of two or three. In such circumstances, a small union can rarely afford to go to arbitration. But these are the same unions which lack muscle and therefore could not effectively strike. In theory, disagreement should have some costs; it appears that these costs exist whether the ultimate dispute resolution mechanism is a strike or arbitration.

Probably the more fundamental reason why the incidence of arbitration awards in most jurisdictions is a small fraction of the exposure rate

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[4] In the Canadian federal sector, unions that have opted for the arbitration alternative required an award in 18 percent of negotiations. Those unions that opted for the strike alternative actually struck in a little over 8 percent of negotiations. Jacob Finkelman, "What's New in Dispute Settlement Techniques," Convention of the Society of Professionals in Dispute Resolution, November 12, 1974, p. 5 (unpublished).

[5] Anderson, *op. cit.*, p. 8; Joseph R. Grodin, "Aribitration of Public Sector Labor Disputes: The Nevada Experiment," 28 *Ind. & Lab. Rels. Rev.* 89 (1974).

[6] Robert G. Howlett, "Experience with Last Offer Arbitration in Michigan," Annual Meeting of the Association of Labor Mediation Agencies, July 21, 1974, pp. 6–7 (unpublished).

is that the interest arbitration process is evolving as less and less a judicial proceeding and more and more a search for accommodation. Adjustment and acceptability rather than win-lose adjudication is increasingly being emphasized in most contract rights disputes. Adjustment, accommodation, and acceptability are, of coure, synonymous with compromise. Arbitrators are all too often criticized for compromising their awards. But compromise is the essence of collective bargaining and may therefore be exactly what is called for in the arbitration of contract terms. Experience has demonstrated that responsible neutrals through a process of interaction with their panel members and with the parties' representatives do actually achieve a genuinely close understanding of the legitimate interests and expectations of both parties to the dispute. Hence, they often are able to mediate or to set a framework in which the parties negotiate their own settlement. Even if not, the process is considerably more than a judgment from what has been characterized as that of an "itinerant philosopher." It appears that in the hands of skilled individuals the interest arbitration process is a continuation of, rather than a replacement for, the negotiation process.[7]

The Impact upon Settlements

A last charge against mandated interest arbitration is that it will inevitably skew market factors and will impose settlements far different from those which would be generated in pure collective bargaining, with or without strikes. The economic impact of interest arbitration is a subject of considerable interest to practitioners and scholars of industrial relations alike, but measuring it is immensely difficult.

Such data as are available suggest, however, that the resort to arbitration does not pay off in terms of unusually high wages. In one as yet unpublished study, Joseph Loewenberg compared policemen's wages in New York, Ohio, and Pennsylvania for a recent six-year period. Of the three states, only Pennsylvania makes arbitration available to resolve negotiation impasses. Despite this fact, the level of police wages in Pennsylvania several years after the introduction of compulsory arbitration remained generally lower than the salaries of police in municipalities of comparable demographic characteristics in the neighboring states. A recent study directed by James L. Stern of police and firefighter wages in Wisconsin during their period of arbitration shows that of many independent variables tested, the only statistically significant

[7] Charles M. Rehmus, "Final Offer Arbitration in Practice: The U.S. Experience," FESA National Seminar on Dispute Resolution, Toronto, November 4, 1974 (unpublished); Anderson, *op. cit.*, p. 14.

predictors of public safety wages were private sector wages and median family incomes in the same community. This result is only what one would expect under "free" collective bargaining and in no way suggests that the availability of arbitration tends to skew resultant wage rates.

These and other research results tending to show that the regression coefficient for the use of arbitration is not significant raises the question of why the parties bother with it. Several possibilities suggest themselves, but are yet untested by research. One is that dependency upon, or resort to, arbitration is essentially political rather than economic. Another possibility is that arbitration is used primarily by parties where the wage is already relatively high and management is attempting to restrain further upward movement, or the wage is relatively low and the union is attempting to catch up. Assuming rational arbitration awards, one would think that management would be more likely to win in the first case and the union in the second. Certainly wage dispersion among cities has decreased in both Michigan and Wisconsin since arbitration was instituted. In short, some may be winning in arbitration and some may not, but state-wide aggregated data show no overall payoff from the resort to arbitration. Both of these possibilities warrant further research and investigation. Neither hypothesis lends support to the gross allegation that arbitration tends significantly to skew economic settlements.

Final-Offer Arbitration

The newest wrinkle in legislated interest arbitration is final-offer or forced-choice arbitration. The theory of final-offer is quite simple. It was believed that the logic of the procedure would force the parties, even in threatened impasses, to continue moving ever closer together in search of a position that would be most likely to receive neutral sympathy. Ultimately, so the argument went, they would come so close together that despite the earlier threat of stalemate, they would almost inevitably find their own settlement. In short, final-offer would normally obviate its own use. Even if it did not, the parties would nevertheless be so close together when they did go to arbitration that the range of neutral discretion would be severely limited and thus not threaten seriously the vital interests of either, no matter which way the decision went.

By this time, it is possible to make some tentative judgments about the efficacy of these procedures, based upon the studies of experience in Michigan and Wisconsin that James Stern and I are directing, and a few published commentaries on ad hoc final-offer arbitration

situations.[8] Perhaps the most noteworthy conclusion resulting from our investigations thus far it that final-offer, contrary to the original hypothesis, does not seem significantly to force the parties to find their own settlement. Michigan experimented with conventional arbitration for 38 months before turning to final-offer 24 months ago. Yet in both periods the rate of requests for arbitration has remained almost identical—about four per month. Moreover, neither the harsher Wisconsin procedure of final-offer by whole package nor the more flexible Michigan procedure of final-offer by individual economic issue seems to make much difference to the ultimate use of arbitration. The rate of petitions is lower in Wisconsin than in Michigan, which suggests that the Wisconsin procedure may force the parties closer together in their own negotiations, but the ultimate award rate is the same in both states despite the theoretically greater risk of losing everything that is involved in going to arbitration in Wisconsin.

The difference in settlement rates after petitions for arbitration are filed results from important differences between the Michigan and Wisconsin statutes. In Wisconsin final offers must be filed five days before the arbitration hearing begins. The Michigan statute simply requires that final offers must be filed at or before the conclusion of the arbitration hearing. Arbitration in Wisconsin is conducted by a single neutral, whereas the Michigan statute provides for tripartite panels. Finally, Michigan permits remand to the parties for further direct negotiations before the hearing is closed. These three statutory differences appear to make an important difference in the outcome of the process. Of the 15 out of 100 negotiations that go to arbitration in Wisconsin, almost one-third are settled by the parties without the necessity for an award. In Michigan, on the other hand, despite a higher rate of requests, two-thirds are settled without an award. In Michigan, the statutory differences make the final-offer process more like med-arb. As a result, in both states public safety officers and their municipal or county employers receive an award in only about one negotiation in ten. Both the Michigan and Wisconsin figures must, of course, include an unknown but surely substantial number of cases where the award represents a confirmation of a previously agreed-upon settlement.

Conclusions

Experience with legislated interest arbitration in the United States

[8] James L. Stern, "Final Offer Arbitration—Initial Experience in Wisconsin," 97 *Mon. Lab. Rev.* 39 (1974); Charles M. Rehmus, "Is a Final Offer Ever Final?" 97 *Mon. Lab. Rev.* 43 (1974); Gary Long and Peter Feuille, "Final Offer Arbitration: 'Sudden Death' in Eugene," 27 *Ind. & Lab. Rels. Rev.* 186 (1974); Fred Witney, "Final-Offer Arbitration: The Indianapolis Experience," 96 *Mon. Lab. Rev.* 20 (1973).

thus far during the 1970s permits the following tentative conclusions:

1. Arbitration is probably more functional than strikes in creating a rough equality of bargaining power at public sector negotiating tables.

2. Thus far at least, strikes in the face of arbitration awards or to force compliance with an arbitration award have not been a major problem in any jurisdiction.

3. The efficacy of legislated arbitration procedures depends greatly on how the operative statute is drafted. For example, such variances as whether arbitration is single-member or tripartite, how and when issues are submitted to arbitration, and whether the neutral is permitted to perform a continuing role in the dispute settlement process are extremely important both to the functioning and to the acceptability of the process.

4. The problems of political or economic "distortion" when outsiders make binding public policy decisions have been greatly exaggerated. This seems largely due to the fact that arbitrators in most jurisdictions have viewed their function not as a replacement for the negotiating process, but as a quasi-continuation of it.

5. Final-offer arbitration does not seem to have all of the merits that theory claimed for it. On the other hand, at least under statutory arrangements permitting a flexible proceeding, it may have virtues beyond those of conventional interest arbitration.

6. Finally, there is no question that conventional wisdom regarding the narcotic effect of arbitration on the collective bargaining process is largely wrong. Where effective and professional mediation is available to public sector negotiating parties, they succeed in reaching their own settlements in the large majority of situations despite the availability of arbitration.

Although these conclusions regarding contemporary experiments with legislated interest arbitration in the U.S. are largely favorable, one important caveat should be noted. Most of this experience has been with public employees who have never had the legal right to strike. This experience, and current research regarding it, is even more centered upon "essential" public employee groups who for obvious reasons are reluctant to strike even if in fact, and despite the law, they have occasionally done so. Hence one should be extremely cautious in assuming that the results of legislated arbitration would be equally favorable among employee groups with dissimilar attitudes or who have long negotiated under right-to-strike privileges.

DISCUSSION

DONALD S. WASSERMAN
AFSCME

Apparently the term compulsory arbitration is objectionable enough to so many people that it is slowly being discarded—as a term, but not as a concept. The new term of art, "legislated interest arbitration," is nothing more than the old compulsory arbitration concept dressed up in a new academic gown. Is it now any more palatable?

The framework of today's session is the public sector. Government reluctance to extend the right to strike to public employees lends emphasis to the importance of resolving contract disputes through a variety of other devices. Even in the handful of states which have legitimatized the strike, if in only a partial sense, much attention is devoted to making alternatives work.

Still, Dr. Rehmus overstates the public's unwillingness to accept any public sector strike. A survey of public attitudes, for example, immediately following the recent Baltimore strike revealed considerable public understanding of the issues, as well as sympathy for the strikers. I readily admit that this public opinion survey will not legalize strikes in Maryland come January 1. Nor, realistically, do I expect that legal prohibitions against the strike will wither away in the immediate future.

It is clear then that third-party intervention will continue as a crucial ingredient of public sector labor relations. It is equally clear that arbitration is now playing an increasingly predominant role. What is not yet so clear is the form that public sector arbitration will take. My own count, while differing somewhat from Dr. Rehmus's, shows that binding interest arbitration is at least specifically authorized in almost one-half of the states, for at least some employees: twenty-two states provide for some form of binding arbitration, usually voluntary. Two more states exclude money items from arbitration. Eleven states mandate compulsory arbitration for some employees. Eleven states authorize voluntary binding arbitration upon agreement of parties. Four states permit either party to invoke binding arbitration. In another state either party or the court may initiate arbitration. In still another state, the governor, as well as the parties, may turn factfinding into arbitration. And, in still another state initiation of arbitration is subject to employer approval.

AFSCME, since 1968, has favored the use of voluntary binding arbitration in contract disputes. During the past two years the union has

hinted that we are willing to experiment with compulsory arbitration, but has found no takers in the form of governors or state legislatures. As Dr. Rehmus notes, thus far compulsory arbitration is fairly well limited to essential employees, police and fire for the most part. The irony is that this limited use of compulsory arbitration is one major reason why we are reexamining our historic objections to it.

AFSCME members in a few local governments have paid a heavy price for the wage gains made by others through compulsory arbitration awards. After large settlements awarded to police or fire, our members have been told in effect that there is no more money. And, our members could not fall back on compulsory arbitration. Obviously this situation cannot be long tolerated. It is likely, in fact, to lead to more strikes by general service employees. Must our union then seek compulsory arbitration simply to protect a large majority of employees in those situations where a small minority (police and fire) work under mandated arbitration?

First, there is a more compelling basic issue. If, as the argument goes, compulsory arbitration has a "chilling effect" on the collective bargaining process, then the nature of state bargaining laws has an absolutely devastating impact. Many of these laws were designed to give the employer every advantage. More laws are concerned with keeping the union in its place than facilitating the agreement-making process. Unsophisticated employers are encouraged to respond from a false position of security. Thus, their irresponsibility and unresponsiveness is not tempered. The law is on their side. There should be no surprise then when workers, out of sheer frustration, break the law. Thus, the enactment of reasonable legislation with adequate impasse procedures would constitute a major move toward peaceful settlement of public sector negotiating disputes.

Dr. Rehmus appears to damn compulsory arbitration with faint praise when suggesting it strengthens our democratic system by forestalling illegal strikes. Rather, I suggest, a wise course would be to reexamine the strike prohibitions built into law. He also juxtaposes an arbitration decision rendered by a neutral "who is indeed responsive to the needs and interests of both parties" with a "voluntary" settlement accepted by one party only because the other party "has beaten it into submission." The voluntary agreement is then no less imposed than the arbitration award. How can arbitration lose? Finally, Dr. Rehmus clouds the issue by deleting the key word "legislated" when he discusses labor's growing acceptance of binding interest arbitration. Of course. But the ground has now moved. Here the comments deal with voluntary—not compulsory—arbitration. Meany has long accepted voluntary arbitration, Wurf for

six or seven years, and Abel for at least a couple of years. Certainly Wurf has never insisted on an "inviolable" right to strike in "any and all circumstances."

I am somewhat unmoved by the studies which purport to show that compulsory arbitration does not have an adverse effect on collective bargaining, at least in the United States. Since many of these studies included time periods during the wage controls program, we must wait for further evidence before concluding that the parties will continue to opt for their own agreement rather than chance an imposed settlement.

Dr. Rehmus's point—that the cost of arbitration is a significant enough factor to discourage some unions—deserves further exploration. Unfortunately, there is no reverse side of this coin. I am unaware of any public employer being similarly discouraged. The cost disadvantages are all against the union.

If arbitration, especially compulsory arbitration, is to be used instead of the right to strike in the public sector, and if strikes are to be prohibited, then arbitration services should be paid for by the state administrative agency. Only if the right to strike and arbitration are permitted to coexist should the union be expected to share the costs of arbitration. Otherwise, it is unfair to compel the union to arbitrate and then charge them for the process. If public sector labor peace is such an essential public priority that strikes cannot be tolerated, free arbitration is a small price to pay.

Just in case the Damoclean sword of compulsory arbitration is not threatening enough, there are those who would add another thrust—final last-offer arbitration. This takes two forms: either final last-offer on each issue, or final last-offer on the entire package. After succinctly describing the theory supporting final last-offer, Dr. Rehmus acknowledged the theory bore little relationship to reality. It "does not seem significantly to force the parties to find their own settlement." If, as we all desire, arbitration is to become "less and less a judicial proceeding and more and more a search for accommodation," the arbitrator must have flexibility. This flexibility must exist so that the arbitration proceeding can result in "adjustment and acceptability rather than win-lose adjudication." Final last-offer generally, and final last-offer of the entire package specifically, deprives the parties and arbitrator of the opportunity of positioning and flexibility that is so necessary in seeking compromise and gaining acceptable decisions. It stultifies "the exercise of discretion" by arbitrators. In upholding the tradition that Washington is the city of acronyms, one might aptly describe final last-offer of the package—FLOP—and it does flop as a process.

My reaction to final last-offer actually goes much deeper. Where wage increases or other monetary items are involved—and they usually are—the union is shackled with an insurmountable handicap. In situations where employers trot out their fiscal experts to demonstrate that they cannot afford the union's last offer, the odds against the union multiply fiercely. The arbitrator is trapped. He believes that the union is entitled to—and that the employer can afford—more than management's last offer. He is unwilling, however, to agree to the union's last offer. But, the middle ground has been washed away. He must select one or the other. One does not have to be a Jimmy the Greek to give the appropriate odds. It is also noted that final last-offer has gained much more support from public management than it has from public sector unions.

Arbitrator Fred Witney, in a postmortem of his final last-offer experience in Indianapolis, wrote in the May 1973 *Monthly Labor Review,* "Driven to the wall, the Board picked the city's final offer as the most reasonable and rejected the union's as unreasonable. But what may be 'most reasonable' in a final-offer arbitration may not meet the needs of the parties or conform to the tests of equity and desirability." Witney further cited the actual Board decision in seeking ". . . a broader grant of authority within which the Board could function and exercise its judgment." Witney's article is worth our attention.

To date, the overriding problem with impasse resolution machinery in the public sector is that the architects have been more concerned with maintaining built-in employer advantage than in seeking equity. Hopefully, future legislation will be equally responsive to the needs of both parties.

Legislated Interest Arbitration — A Management Response

R. THEODORE CLARK, JR.
Seyfarth, Shaw, Fairweather & Geraldson

My objectives and those of Professor Rehmus are undoubtedly the same in that we both believe in the process of collective bargaining in the public sector and we both believe that the process works better if the parties are able to reach their own agreement without resort to third-party intervention. Our major point of disagreement would appear to be over the wisdom and effectiveness of compulsory arbitration as the terminal point for resolving public sector collective bargaining impasses.

A major premise of Professor Rehmus's paper is that the public will not tolerate public employee strikes and that therefore such strikes must necessarily be prohibited and some form of compulsory arbitration imposed upon the parties as the terminal point in the bargaining process. I reject this premise. To the contrary, in my experience in the last several years the public is becoming more tolerant of such strikes.[1] Let me give you one example. Last year I represented a municipality with a population of approximately 40,000 which was involved in a 30-day strike by its public works, parks, and recreation and sanitation employees represented by AFSCME. Throughout the course of this strike, the city received very few complaints from residents and, of those complaints which it did receive, three-quarters concerned the city's decision to close its municipal golf course.[2] If this strike had occurred ten years ago, I venture to say that the public would have been outraged and completely intolerant of such activity. While the de jure right to strike is presently accorded to some public employees in seven jurisdictions,[3] the de facto right to strike is present in virtually every jurisdiction.

While I have consistently opposed granting public employees the right to strike for a variety of reasons,[4] we are now increasingly faced

[1] See generally Oestreich and Zidnak, "Attitudes Toward Bargaining and Strikes in Public Employment: A Survey," *California Public Employee Relations* 23 (December 1974), p. 46.

[2] In order to quell the only major source of complaints, the city eventually opened the golf course on a limited basis, utilizing supervisory personnel to perform the necessary maintenance work on the days when the course was closed.

[3] Alaska, Hawaii, Minnesota, Montana, Oregon, Pennsylvania, and Vermont.

[4] See, for example, Clark, "Public Employee Strikes: Some Proposed Solutions," 23 *Lab. L.J.* 111 (1972), Shaw and Clark, "The Need for Public Employee Labor Legislation in Illinois," 59 *Ill. B. J.* 628 (1971).

with the alternative of either granting public employees the legal right to strike or providing for some form of compulsory arbitration as the terminal step in the collective bargaining process. Faced with the task of selecting one of these two alternatives, I would favor granting public employees the right to strike rather than mandating compulsory arbitration. My reasons are several in number.

First, the public interest is best served by voluntary agreements reached by the parties rather than mandated settlements imposed by an outside third party.[5] "Compulsory arbitration," in the words of the California Advisory Council chaired by Benjamin Aaron, "is a negation of the principle of voluntarism."[6] Parenthetically, it should be noted that I am not opposed to voluntary binding arbitration.[7] To the contrary, statutes such as the New Jersey Employer-Employee Relations Act which provide that unresolved collective bargaining disputes "may, by agreement of the parties, be submitted to arbitration" are salutary.[8] Voluntary interest arbitration has the distinct advantage of being consented to in advance by the parties rather than being imposed by statute, thus minimizing the problems of acceptability. On this point, my views coincide with those of organized labor.[9] Moreover, the existence of voluntary interest arbitration would give the parties sufficient flexibility to use arbitration for political reasons if this were felt to be necessary. Voluntary binding arbitration can also be very useful on an ad hoc basis to resolve one or two issues on which the parties are deadlocked. On at least two separate occasions I have been involved in negotiations where this very procedure was agreed upon by the parties to resolve an issue on which the parties, for one reason or another, felt they could not yield.

Second, in my experience the existence of compulsory arbitration does have a chilling effect on the collective bargaining process. I am aware of the research and statistical data developed by Professor Rehmus and others which, in their considered judgment, show that arbitration is not being overutilized and that it is apparently not overly harmful

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[5] See generally *Final Report of the Assembly Advisory Council on Public Employee Relations,* 219 *et seq.* (March 15, 1973).

[6] *Id.* at 221.

[7] See generally Cushman, "Voluntary Arbitration of New Contract Terms—A Forum in Search of a Dispute," 16 *Lab. L.J.* 765 (1965); Staudohar, "Voluntary Binding Arbitration in Public Employment," 25 *Arb. J.* (n.s.) 30 (1970); Taylor, "The Voluntary Arbitration of Labor Disputes," 49 *Mich. L. Rev.* 787 (1951).

[8] Ch. 303, Laws of 1968, §34:13A-7.

[9] See, for example, the June 1972 *Boilermaker-Blacksmiths Reporter* containing the following statement: "The AFL-CIO is opposed to any form of compulsory arbitration. . . . On the other hand organized labor wholeheartedly supports the concept of voluntary arbitration where the parties agree to accept an umpire's decision as final and binding." *Id.* at 8.

to the collective bargaining process. Most of these data, however, cover the last several years, i.e., from 1971 to 1973. While I have no hard statistical data to support this, I think that the incidence of arbitration during this three-year period was significantly affected by the existence of wage-price controls.[10]

Moreover, while the statistical data developed by Professor Rehmus and others tend to support their assertion that compulsory arbitration is not unduly undermining the collective bargaining process in a strict *quantitative* sense, I do not think there has been sufficient research into the *qualitative* aspects. It has been my experience that in states with compulsory arbitration statutes there tends to be a higher incidence of arbitration requests among the major public jurisdictions and a considerably lower incidence among the smaller jurisdictions. In many instances a pattern is established by a major jurisdiction within a given geographical area, often through the use of arbitration where it is available, and the other jurisdictions then tend to follow the pattern established thereby. It is thus difficult to compare equally a request by the police for arbitration in Milwaukee, for example, with a similar request in Rhinelander, Wisconsin. When this fact is taken into account, the 15 percent request rate for arbitration in Michigan and Wisconsin assumes considerably greater significance.

Although I have stated that I would rather grant public employees the right to strike than legislate compulsory arbitration if the choice were between these two alternatives, I recognize that there are certain categories of employees, such as firefighters and police in major urban cities, which cannot realistically be granted the right to strike. In order to assure these employees equitable treatment, there should be some type of legislated impasse procedure. The basic tenet of any such procedure should be to encourage, to the fullest extent possible, the voluntary settlement of collective bargaining disputes by the parties themselves without recourse to third-party intervention. In line with this underlying premise, the parties should be provided adequate assistance from a career-oriented mediation staff similar in expertise and function to the Federal Mediation and Conciliation Service. Mediation does *not* detract from the goal of encouraging the parties to reach their own agreement. To the contrary, mediation enhances this goal since a

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[10] It is interesting to note that requests for arbitration under the Pennsylvania Police-Fire Arbitration Act occurred in approximately 30 percent of the available situations prior to the imposition of controls, and that the rate dropped to about 15 percent after the imposition of controls. Undoutedly, part of the drop can be attributed to the parties' greater experience and sophistication, as Professor Rehmus suggests, but I would submit that the existence of wage controls was probably a significant factor also. This is an area for further research.

mediator's efforts are directed to assisting the parties in reaching their *own* agreement.

While effective mediation assistance will result in many agreements, there will still be some disputes where mediation will not end the deadlock. In these situations, I would favor compulsory final-offer selection on a package basis, but only with respect to economic issues. By economic issues I mean specifically wages, overtime and premium payments, holidays, vacations, group hospitalization and insurance, and pensions where not otherwise already provided for by applicable state law. Since most public sector impasse situations primarily involve unresolved economic issues, by providing a method for resolving in a final and binding fashion such disputes, overall agreement should be reached in most situations.

With respect to unresolved noneconomic items, the decision of the arbitrator should be advisory only and in the form of recommendations. It is in the noneconomic area that policy issues are most likely to arise—issues that compulsory arbitration, regardless of the form, is not well suited to resolve. In the final analysis, the contract language which the parties must live under should be written by the parties themselves and not by some outside third party. While an arbitrator's advisory recommendations on contract language may be useful and may be conducive to resolving such issues, I would not favor making such recommendations on noneconomic items final and binding.

In the context of this rather limited acceptance of compulsory arbitration, I would generally concur with several observations made by Professor Rehmus. First, such a mandated impasse procedure should be preceded by mediation, and the arbitration panel should be given the authority to specifically remand one or more issues for further negotiations. Second, the arbitration panel should be tripartite in nature with each party having the right to designate one member of the panel. Third, the parties should have the latitude to revise their final offers on the economic issues or their positions on the noneconomic issues prior to the conclusion of the hearing.

In line with the goal of encouraging voluntary agreement wherever possible, the applicable statute should specifically provide that the parties may by mutual agreement amend or modify the award of the arbitration panel on the economic issues.

In considering the economic package offers submitted by the parties, the arbitration panel should be governed by specific criteria which should include appropriate comparisons with employees in comparable communities performing similar services, the overall compensation received by the employees involved in the arbitration proceeding, the con-

tinuity and stability of employment, the effect on other employees of the public employer, and the financial ability of the public employer to meet the cost of any award. This latter criterion, sometimes referred to as the employer's ability to pay, is an important factor and should not be simply glossed over by the arbitration panel. To accomplish this, where the employer affirmatively alleges an inability to meet the cost of the union's economic proposal, the statute should require the arbitration panel to specifically set forth its reasons if it rejects the employer's contention.

In summary, my conclusions with respect to impasse procedures in the public sector are four-fold. First, the overriding goal and objective should be to encourage wherever possible the parties to reach their own voluntary agreement. Second, mediators who are professionally trained and career oriented should be available to the parties to assist in resolving collective bargaining disputes. Third, despite the surface attractions and the hope of avoiding strikes, the panacea of compulsory arbitration should be firmly resisted. If it comes down to the alternative of either granting public employees the right to strike or providing for compulsory arbitration, I would favor granting public employees the right to strike. Fourth, where certain categories of public employees, such as firefighters or police in major urban settings, must be prohibited from striking, the legislated impasse procedure should provide for final-offer selection on a package basis with respect to the economic issues and advisory recommendations with respect to the noneconomic issues.

If the laudable goal of free collective bargaining is to be encouraged, as I believe it should, then compulsory arbitration should be avoided wherever possible. Rather than expending our time erecting elaborate impasse procedures which involve resort to outside third parties, we should devote more time and attention to establishing a framework in which voluntary agreement can be reached.

Expedited Grievance Arbitration: The First Steps

MICHAEL F. HOELLERING
American Arbitration Association

A year or so ago, a prominent authority on labor-management relations, in a widely reported speech, gave some vivid examples of the high costs and long delays in labor arbitration. It was not long before the same facts and statistics appeared in a variety of other publications. At the same time, in publications addressed primarily to sophisticated, knowledgeable persons in the labor-management community—and I include here the American Arbitration Association's *Arbitration Journal*—we see a growing number of articles describing the ways in which expedited arbitration is helping to overcome the twin problems of high costs and long delays. My purpose is to show the range of present-day experimentation with expedited procedures by describing some of the expedited programs now under AAA administration, and to suggest that grievance arbitration, largely unchanged since World War II, is responding to criticism and undergoing change.

As with many other aspects of labor-management relations, initial experience with expedited arbitration occurred in private industry. In the early days of labor arbitration the whole process was itself expedited. Arbitrators were selected, hearings were held, and awards were rendered within a matter of days. Speed was then, and continues to be to this day, an important advantage of arbitration to both unions and employers. As arbitration became established, parties began to make specific written provisions to insure speedy procedure under specific circumstances. For example, Actors Equity Association and the League of New York Theaters, as a safeguard against the disruption of theatrical openings by reason of unresolved grievances, provided for the advance selection of six arbitrators who would be available for immediate appointment by the AAA. They would hold hearings and issue awards within 48 hours.

Similar arrangements to deal promptly with strikes and lockouts were, or still are, in effect in the brewing industry, on the New York waterfront, in newspaper publishing, and at the nation's largest submarine facility, to give only a few examples. Whatever the special motivation for speeding up the process in these select situations—whether the high cost of work stoppages, worker unrest, or the need of union officials to meaningfully serve their constituents—the main ingredients

of an expedited arbitration system have been the following: (1) identification of the types of cases which should and could be arbitrated under expedited procedures; (2) provision for an adequate number of experienced arbitrators, able to meet contracted time limits and available for early hearing dates; (3) prompt impartial administration to handle appointment of arbitrators (usually requiring a good knowledge of the arbitrators in the area and of their availability), scheduling and rescheduling of hearings, arranging compensation of arbitrators, and the performance of other similar administrative details; and (4) the cooperation of management, labor, and the arbitrators to make the expedited process work.

The early provisions for expedited procedure generally worked well, but were relatively few, and a basic pattern of increasing delays in grievance arbitration became established in industry as a whole. And while early efforts toward speeding up the process were mostly directed at specified problem areas, recent concerns have been with expediting the arbitration process as a whole. Ralph T. Seward, in his address to the National Academy of Arbitrators in Montreal,[1] suggested that not all grievances need be treated alike. He urged the labor relations community to consider a two-track grievance system—one for cases involving important issues of contract interpretation, and an express track for disputes involving primarily questions of fact, rather than issues of great principle or those creating important precedents for the future relationship of the parties.

Among the first to follow this course were the IUE and General Electric Company. In 1971, they adopted a procedure providing for (a) the scheduling of hearings in all discharge and upgrading cases within 60 days; (b) the elimination of detailed written opinions in discipline and discharge cases if questions of contract interpretation, arbitrability, or due process were not involved; and (c) the elimination of stenographic transcripts when the only issue was whether the discipline or discharge was for just cause.

Another of the best known expedited programs was adopted by the steel industry in August 1971.[2] Faced with a substantial backlog of unsettled grievances and unrest in the rank and file, ten major steel producers and the United Steelworkers of America streamlined their grievance procedures and established an expedited arbitration system to deal

[1]Ralph T. Seward, "Grievance Arbitration—The Old Frontier," in *Arbitration and the Expanding Role of Neutrals*, Proceedings of the Twenty-Third Annual Meeting, National Academy of Arbitrators, eds. Barbara D. Dennis and Gerald G. Somers (Washington: BNA Books, 1970), pp. 153–163.

[2]Ben Fischer, "Arbitration: The Steel Industry Experiment," *Monthly Labor Review* 95 (November 1972), pp. 7–10.

with routine grievances. During the first 15 months of the program, about 500 minor grievances (other than discharge, incentive, and job classification cases), often several at the same time, were arbitrated at local levels under the expedited procedures at substantial savings in time and money. Cases which previously took up to two years to arbitrate were being processed within 60 days. Though the approximately 200 arbitrators in this program are mainly young lawyers inexperienced in arbitration, the parties are nevertheless generally pleased with their performance and decisions.

An important step toward making expedited arbitration *generally* available to arbitrating parties was taken with the establishment, in April 1972, of the AAA's Expedited Labor Arbitration Tribunal. Cases are submitted either by mutual agreement of the parties or when the issues arise, in accordance with an arbitration clause in a collective agreement which specifies the Expedited Labor Arbitration Rules of the Association. The tribunal operates in all the AAA's 21 regional offices, and most leading arbitrators on the AAA's panel have agreed to serve. Every effort is made to appoint the best possible arbitrators who can hear the cases promptly. The expedited rules provide that the parties shall not file briefs or employ a stenographic record; that the arbitrator will render an award not later than five calendar days from the conclusion of the hearing; and that opinions, when required, will be in abbreviated form. Total cost to each party is usually half the arbitrator's customary per diem fee for the day of hearing only, and half an administrative fee of $100.

A growing number of parties use this tribunal to their advantage on a case-by-case basis, while others have relied on a reference to the expedited rules, often with further supplementary provisions, in the arbitration clause of their collective agreements.

For example, the International Paper Company and the United Paperworkers are utilizing these simplified procedures in a regional system, administered by the AAA's Dallas, Miami, and Charlotte offices for the administration of grievances involving discipline, seniority, pay practices, and work jurisdiction. A preselected panel of 15 arbitrators are assigned in rotation to hear up to three grievances at a single hearing. A survey shows that the average case of this kind is arbitrated within 38 days after the initiation of the case. In another example, the Social Security Administration and American Federation of Government Employees in San Francisco have provided for the AAA's expedited labor arbitration procedure as the preferred method of resolving grievances, with a provision that "the party invoking the standard

AAA procedure shall pay all costs in excess of $500."[3] The programs described above have helped make common a key feature of expedited arbitration—the elimination in certain cases of the detailed written opinion usually accompanying an arbitrator's award. The rationale for this was expressed by another distinguished labor arbitrator, Gerald A. Barrett, from whose memorable address on "The Common Law of the Shop,"[4] I quote:

> ". . . I submit that we are nearing the saturation point with written opinions . . . and that awards without opinions or awards accompanied by simple per curiam opinions may now better serve the purpose in some cases. . . .
>
> "If it is accurate to say that an opinion should tell the parties something useful either about their contract or about their arbitrator, then it follows that detailed opinions are now expected unnecessarily in substantial numbers of cases.
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> ". . . [I]t should be possible to reach some kind of understanding that formal written opinions are not automatically necessary in all cases, and that it is within the discretion of the parties to specify those cases in which they desire formal written opinions or per curiam opinions or even no opinions."

My discussion so far has dealt mostly with expedited arbitration programs in the private sector. A very significant recent development has been the growing use of expedited procedures in the arbitration of public sector grievances.

A single use of expedited arbitration procedure for discipline grievances is the current United Transportation Union/Long Island Railroad procedure. Under this procedure, begun in April 1973, most discipline assessed by the carrier against operating trainmen may be appealed to a form of expedited arbitration administered by the AAA.[5] Nearly all the 150-odd awards issued so far under this procedure were rendered within 30 to 90 days of the events giving rise to the discipline. Under the National Railway Adjustment Board System, previously utilized by these parties for discipline cases, it was common for awards to be rendered two or three years—or even longer—after the events giving rise to the grievance. According to the railroad, in one 1965 case still

[3] "Master Agreement, Bureau of District Office Operations for Social Security Administration, San Francisco Region, and the Council of District Office Locals, American Federation of Government Employees, San Francisco Region, September 27, 1973," *GERR*, No. 537 (1-14-74), pp. X-1-X-10.

[4] Gerald A. Barrett, "The Presidential Address: The Common Law of the Shop," in *Arbitration of Interest Disputes*, Proceedings of the Twenty-Sixth Annual Meeting, National Academy of Arbitrators, *supra* note 1 (1974) pp. 95–99.

[5] Agreement between Long Island Railroad Company and the United Transportation Union, February 17, 1972, Article 42 (K) "Discipline," pp. 18–19.

awaiting hearing under the Adjustment Board System, the grievant and two chief witnesses are now dead, and any award in favor of the grievant could benefit only his estate.[6]

The great time savings resulted from this new Long Island procedure appear to depend chiefly on three factors: (1) the parties' willingness to streamline presentation and argument at hearings; (2) the parties' commitment to schedule dockets of cases for hearings regularly on the second and fourth Wednesday of each month; and (3) the parties' decision to "take pot-luck" and let the AAA exercise its discretion in appointing the arbitrator for each docket.

Both the union and the railroad agree, after some 200 discipline cases have entered their new expedited arbitration procedures, that the system meets very well both the trainman's desire for a fair, early hearing and the carrier's need to have an effective discipline program. Nearly two dozen different arbitrators have heard cases under this system. Virtually all of them have praised it as a tremendous improvement over established procedures in the railway industry.

Early in 1974 the State of New York and the unions[7] representing most of the state's 200,000 employees, with legislative approval, concluded agreements replacing existing statutory procedures with final and binding expedited arbitration of disciplinary grievances.[8] Under the new procedures, now administered by the AAA statewide, disciplinary grievances over reprimands, suspensions, fines not exceeding $100, reduction in grade, and dismissal from service, may be appealed to arbitration within ten days after a decision at the third step. Thereafter, cases are referred to an arbitrator for a hearing within ten days, with the award due within five days after the closing of the hearing. Arbitrators are assigned to cases on a geographic and rotation basis from a preselected panel of 50 experienced, knowledgeable individuals whose compensation for these cases is $200 per diem. In most cases, arbitrators' opinions are expected to be under five pages. This tends to keep the costs of "study and writing time" down.

By all indications the parties' experience in the first year of the new procedure has been highly favorable. Of about 1500 discipline proceedings initiated, some 1400 were settled by the parties without the need for arbitration. Those that did reach arbitration were handled quickly, with final awards rendered by the arbitrators within 60 days of filing

[6] Walter L. Schlager, Jr., in his address to Labor Arbitration Practice Committee of the American Arbitration Association in New York City on December 4, 1974.

[7] Civil Service Employees Association, Inc., and Council 82, American Federation of State, County, and Municipal Employees, AFL-CIO.

[8] Melvin H. Osterman, Jr., and Jeffrey A. Austin, "New York State's Disciplinary Arbitration Procedure," unpublished manuscript.

in most cases. Previously, disciplinary matters were sometimes delayed two or three years before final decision. In addition, according to the state, a number of critical principles have already emerged from the expedited arbitral decisions defining the special responsibilities of employees in public service. All arbitration awards in these cases so far have recently been published by the state, to guide the parties and the arbitrators in the handling and adjudication of future grievances.

However, although the parties are satisfied, there is presently a legal and constitutional question about the new procedures. In a recent decision *(Antinore* v.*The State of New York),*[9] the supreme court of Monroe county held that the substitution of binding arbitration for the earlier statutory provisions was unconstitutional, in that it denied the employee due process and equal protection of the laws. The employee, a tenured state civil servant, was suspended from employment after being charged with various alleged acts of sodomy and purportedly related sexual acts endangering the morals of minors. He was warned that his employment as a child-care worker would be permanently terminated unless he timely invoked the arbitration procedures available to him under the existing collective agreement. Instead, he sued by way of a declaratory judgment for judicial clarification of his statutory rights vis-à-vis his contractual rights, i.e., to a hearing, to the rules and standards for such a hearing, to a recorded decision, if available, of the serious charges brought against him and to his rights to judicial review. The court's decision that the necessary constitutional safeguards applicable to state actions were not spelled out under the arbitration provisions of the contract has been appealed.

The nation's largest system of expedited arbitration, in effect since January 1, 1974, is contained in the national agreement between the U.S. Postal Service and its four major unions—the American Postal Workers Union, the National Association of Letter Carriers, the National Post Office Mail Handlers, Watchmen, Messengers and Group Leaders Division of Laborers' International Union of North America, and the National Rural Letter Carriers Association.[10]

With AAA assistance, the parties have established panels of arbitrators in Boston, Cleveland, New York, Philadelphia, southern Florida, southern California, and Washington, D.C. The AAA administers the panels on a rotating basis. Additional panelists in other parts of the

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[9] *Antinore* v. *The State of New York and its Agents,* the New York State Executive Department and the New York State Division for Youth, 356 N.Y.S.2d 794 (Supreme Court, Monroe County 1974).

[10] U.S. Postal Service Agreement, July 21 1973, Article XV, Grievance-Arbitration Procedure, Section 4.

country are similarly being provided by the Federal Mediation and Conciliation Service.

The procedure is limited to "disciplinary cases which do not involve interpretation of the agreement and which are not of a technical or policy-making nature."[11] It provides that hearings be scheduled within ten days, that hearings be informal, that no briefs be filed or transcripts made, that there be no formal rules of evidence, that the hearings normally be completed within one day, that normally no more than three grievances be presented in one hearing, and that the arbitrator and the parties shall divert issues of "complexity or contractual significance"[12] to a separate panel for regular arbitration. The arbitrator may issue a bench decision at the hearing, but in any event is to render a decision within 48 hours after the hearing. Decisions cannot be cited as precedents in other proceedings.

An unique aspect of this program is that it deals in detail with arbitrator fees. Arbitrators are to be compensated at their regular per diem rates for each hearing day; however, a hearing day is defined to include the arbitrator's study time and time for preparation of a decision. If hearing time is one-half day or less, and if the arbitrator has been so informed in advance, the prescribed fee is two-thirds of the full day rate. Specific provision is also made for arbitrator fees in the event of cancellations or postponements.

About 150 expedited cases have been arbitrated under this system so far—more than all cases heard since 1971 in other arbitration procedures between the same parties. Two hundred more such cases are to be arbitrated shortly. Cases handled by the AAA were processed in an average 21 days from filing to decision. Arbitrator fees, including necessary travel expenses, amounted to an average of $206 per case. A reading of the arbitrators' decisions shows most opinions to be brief, directly to the point of the grievance submitted, and of uniformly high quality.

In outlining these various expedited arbitration systems and procedures, I have tried to emphasize what is unique about each. It is evident that the concept of expedited arbitration is flexible and that it may be adapted to the particular needs of the parties involved. Our experience shows that a significant number of cases, in both private and more recently in public employment, are beginning to be channeled to expedited arbitration by the parties. It also confirms the potentially great savings of time and money which may be achieved through expe-

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[11] *Supra* note 10.

[12] *Supra* note 11.

dited procedures. In implementing the various expedited programs we have seen splendid cooperation from the labor arbitrators, who have worked very hard to apply their highest professional standards, under special time requirements, to the decision making process. All these things show a direction, a continuing development, which I believe will importantly affect the future practice of grievance arbitration.

Some Reflections Upon the Postal Experience with Expedited Arbitration

BERNARD CUSHMAN
Bredhoff, Cushman, Gottesman & Cohen

Experience with expedited arbitration has shown that there is more to the process than speed. It is trite but true to say that the process envisages economy and informality. The fact is that in the postal field, and in a number of others, these objectives have been realized. There are, however, other assets in the balance sheet. There are also some interesting administrative problems.

Expedited arbitration was adopted in the steel industry in August 1971. That precedent triggered the adoption by the Postal unions and the Postal Service in the 1973 national agreement. In each case it was initiated on an experimental basis—in steel for two years, in postal for one year. The Postal unions and the Postal Service have agreed to extend their expedited arbitration system from January 1, 1975, the original experimental period, until the expiration date of their contract, July 20, 1975, and will, in all probability, continue the system in their next agreement.

The postal contractual procedures are modeled upon and similar to those in the steel industry. The cases which go to expedited arbitration are contractually confined to disciplinary cases. Once a case is sent to expedited arbitration, immediate notification is given to the appropriate administrative agency, the American Arbitration Association or the Federal Mediation and Conciliation Service as the case may be. The AAA or FMCS notifies the arbitrator whose case it is, based upon the rotation of the particular geographic area panel. Arrangements are made for a hearing to be held within 10 working days. The hearing must be informal. No briefs may be filed. There is no transcript and there are no formal rules of evidence. The hearing is normally to be completed within one day. A decision must be issued within 48 hours after conclusion of the hearing. The arbitrator is empowered to issue a bench decision. No decision can be cited as a precedent.

Since the unions represent approximately 600,000 postal employees in some 32,000 post offices spread over 50 states as well as in Guam, Puerto Rico, and the Virgin Islands, the task of developing panels was a formidable one. The parties now have basically completed that task with the establishment of some 30 expedited panels. Additional

arbitrators will be added to the panels if needed. The panels have been established on a geographical basis.

In selecting the members of the panels, the parties have followed a very different procedure from that employed by the Steelworkers and the steel companies. In postal, the parties, motivated in part by a desire to begin operations under the system quickly, placed their emphasis upon the selection of experienced and established arbitrators on the theory that seasoned arbitrators could more readily make more effective use of a streamlined and speedy arbitration process tailored to the needs of the parties than could inexperienced individuals without arbitration experience. In steel, on the other hand, the parties undertook a more time-consuming procedure. They traveled to various areas to interview and recruit panel members with the cooperation of law school deans. Relatively young and inexperienced men and women were selected whom the parties deemed potentially qualified because of their training, intelligence, and personality. The parties then gave the selectees for each panel an orientation course. The Steelworkers have stated their satisfaction with the results achieved and the continuation of the system in steel fairly warrants the conclusion that management, too, must be satisfied with the steel expedited system.

Surprisingly enough, experienced and busy arbitrators have been quite willing to become members of postal expedited panels, although their remuneration is less than they normally receive. They are, of course, freed from the burden of writing opinions and, as a result, need spend less time on a case. The parties in postal are pleased with the high degree of participation by experienced arbitrators in the expedited system. The need for orientation has been avoided, and in less than a year panels are functioning covering disputes arising in geographical areas that extend throughout the continental United States and beyond.

Of some interest is the fact that by special agreement, the American Postal Workers Union and the Postal Service submitted a backlog of more than 100 cases, involving a wide range of issues including interpretations of the contract, factual disputes as to higher level pay, timeliness of grievance filing, and other matters to expedited arbitration in order to clean them up. And even more recently, the National Association of Letter Carriers and the Postal Service have followed substantially the same course as to a comparable number of cases involving a wide range of issues. This reflects the parties' growing confidence in the system and their judgment that in particular circumstances rapid resolution of a dispute contributes more to good labor-management relations than does a long-delayed full-dress hearing and award accompanied by the paraphernalia of lengthy opinions.

A few thoughts as to some of the problems which attend the use of the expedited system. One is the problem of the relationship of the expedited arbitration system to the regular arbitration panel system as well as to the role of the impartial umpire. In postal, Sylvester Garrett is the impartial umpire and he hears and decides major issues involving the interpretation of the agreement. The regular panel, which consists of panels normally assigned to the five multistate postal regions and the District of Columbia, normally hears discharge cases. Thus, there is a three-track arbitration system.

What if an interpretation case accidentally comes before an expedited panel arbitrator? Or a case of a technical or policy-making nature? The parties are expected to refer such a case back to Washington for reference to either Mr. Garrett or the regular panel as the union or unions involved and the Postal Service determine. In the event they do not agree, the matter is discussed with the impartial umpire and, if necessary, the question as to which tribunal should hear the case might be submitted to him for decision.

At this point in time it may fairly be concluded, not only from the steel and postal experience, but also from the extension of the process to other industries, that the process is working well. The Industrial Union Department of the AFL-CIO is actively sponsoring expedited arbitration. It would seem, therefore, that employees and employers have growing confidence in the swift justice of an accelerated arbitration system. Employee confidence contributes to improved employee morale and, as one by-product, to increased productivity.

May not, therefore, expedited arbitration be an important factor in minimizing controversy between labor and management over the availability of multiple remedies to employees in addition to arbitration? The Supreme Court has ruled that an arbitration award is not binding in a court action under Title VII of the Civil Rights Act of 1964.[1] Doubts have been raised as to whether arbitration may be made an exclusive remedy for situations covered by the Veterans Preference Act.[2] The National Labor Relations Board has attempted to force increased reliance on arbitration through the controversial *Collyer* doctrine.[3] Even under *Collyer,* however, the National Labor Relations Board will exercise jurisdiction in certain cases despite the availability of contractual arbitration.[4] If, however, confidence in the arbitration process is increasingly enhanced by the availability of both expedited

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[1] *Alexander* v. *Gardner-Denver Co.,* 410 U.S. 925 (1974).
[2] 5 U.S.C. Sec. 2108, 7511, 7512.
[3] *Collyer Insulated Wire,* 192 NLRB 837 (1971).
[4] *Westinghouse Learning Corporation,* 211 NLRB No. 4 (1974).

and regular arbitration, employees and their unions may well in fact be willing to limit themselves to resort to the arbitration process because the speed and quality of its justice satisfy them. Hopefully, expedited arbitration will be of material assistance in bringing about such a result.

Expedited arbitration is also an aid to the regular arbitration process. It reduces the regular arbitration load and thereby frees the regular arbitrators for the more important cases and reduces delay in such cases.

In addition, expedited arbitration as a phase of the arbitration process is an aid to the negotiation of new contracts. Many collective bargaining issues, particularly in large enterprises such as the Postal Service or the steel industry, are not susceptible of solution by precise contractual language. As Ben Fischer has pointed out, the parties may only be able to resolve an issue by the use of general language which provides a framework or guide for the resolution of specific disputes which may arise during the life of the agreement. Confidence in the capacity of arbitrators to speedily and fairly resolve such disputes may make more palatable resort to such general contractual approaches, thus avoiding strikes or compulsory arbitration over such issues.

Finally, expedited arbitration attests to the resiliency and innovative capacities of the arbitration process. As the contrast between steel and postal expedited arbitration shows, the parties can tailor the process to their particular needs.

Expedited Arbitration in the Postal Service

HARVEY LETTER
U.S. Postal Service

It is apparent that a relatively new concept in labor arbitration is developing; it has been dubbed "expedited arbitration." Certain of its effects are already manifest. It is providing a new subject for discussion at meetings concerned with labor relations, and it is providing academic grist for the mill of scholarly law review articles and labor relations periodicals. It may well supply us with a crop of new arbitrators and their innovations.

In their bargaining for a new contract in 1973, the Postal Service and the national postal unions agreed that, in January 1974, they would institute expedited arbitration on an experimental basis. It is my assignment to cover some of the more notable features of our one year of experience with expedited arbitration. In order to appreciate the framework of that experience, you should know that our national mail delivery system is unique in many respects. In-depth perception of any aspect of Postal Service operations, including its expedited arbitration procedure, requires an awareness that the Service is relatively new and that it is massive. These two characteristics are significant because they have the effect of magnifying problems.

As I assume you know, the Postal Service is one of the largest employers in the nation, and about 600,000 of its approximately 700,000 employees are covered by the collective bargaining agreement that includes the expedited arbitration procedure. Add to such a large unit of employees some additional ingredients. For example, stir in the newness of private sector type grievance-arbitration and garnish with the relatively inexperienced labor relations representatives on both sides, and you have many grievances and many arbitrations.

It appears that, in the first nine months of 1974, over 1,300 situations were certified for arbitration by the national postal unions. It is too soon to know the exact proportion of those cases that will be processed under the expedited system; our best guess is that approximately half of the arbitrations will qualify for expedited handling.

To digress for a moment, a substantial backlog of cases certified for arbitration developed under the contract that preceded the 1973 National Agreement. In a special understanding between the Postal Service and the APWU, the largest of the four national postal unions, it was agreed to handle a significant portion of that backlog by expedited

arbitration. That agreement is a manifestation of the parties' high expectations. It also reflects the added dimension given the basic grievance-arbitration procedure by the availability of expedited arbitration. The system contemplates flexibility and, by definition, flexibility connotes a capacity for rapid and varied execution or delivery. The question remains whether application of the system will meet expectations.

Traditional grievance-arbitration procedures initially became a feature of the Postal Service labor relations scene with the execution of the first collective bargaining agreement in the summer of 1971. The start-up of that process was delayed for a number of reasons—not the least of which was a court injunction prohibiting institution of the system. The various roadblocks were eventually cleared away, and traditional arbitration became part of Postal Service labor relations early in 1972. In like manner, the start-up of the expedited procedure was delayed. As with practically all else in the Postal Service, the magnitude of the problem had to be acknowledged, understood, and overcome. There had to be established 30 different panels and each group was to have three to ten arbitrators. Assuming an average of five arbitrators per panel, the employer and the unions were faced with the relatively sizable task of obtaining 150 arbitrators.

The panels have been set geographically—by city and larger areas. You should know, however, that cases are not rigidly assigned to one or another panel by strict geographical matching. There is cross-over from one area to a panel domiciled in another location where the effect will be speedier resolution of a particular case. From January through November of this year, 489 situations were scheduled for expedited handling. Of that number, 63 were amicably resolved before hearing, the unions voluntarily withdrew 55 cases, and 92 cases were heard.

The proper selection of cases to be heard is crucial to successful operation of the system. The cases that qualify for processing in the expedited system are disciplinary cases that do not involve contract interpretation and are not of a technical or policy-making nature. The parties jointly review the cases and assign to traditional arbitration those excluded by the contract from the expedited process. Although not specifically excluded by contract language, discipline cases that involve discharges also are excluded by the parties. The culling process is essential to the continuing integrity of both the expedited and traditional procedures. Improper designation of a case for handling in the expedited system is unfair to the parties and to the arbitrator. (You should know that the arbitrator is not paid for study days or decison-writing time.) Should initial culling fail to exclude a case that

is inappropriate for the expedited system, there is a safety valve to be activated by either or both parties or by the arbitrator. If disqualifying considerations that did not surface beforehand become apparent at the hearing, the case is transferable to the traditional arbitration group.

The scheduling of cases for hearing is a critical key to effective operation of the system. Up to the point of union certification for arbitration, every case is subject to the same grievance provisions. Once a case has been certified for expedited handling, however, the concept contemplates that it will be moved through the arbitration passage with deliberate speed. Cases are certified by the unions at the national level in Washington and the expedited matters are moved to the field for scheduling. As a general proposition, the cases are scheduled on a first-in, first-out basis; by mutual agreement, however, there may be exceptions. Thus far, experience has shown compliance with the contract requirement that the designated arbitrators shall set cases for hearing within 10 days from the dates of assignment. There has also been successful experience with the scheduling and hearing of more than one matter by a single arbitrator in a single day.

The conduct of the hearing in the expedited case is very much within the control and discretion of the arbitrator. He has but one procedural guideline; the hearings are to be informal. The expedited system imposes added burdens on all of the hearing participants, and the hearing takes on greater significance than that in a traditional case. More often than not, the arbitrator is faced with less experienced and less sophisticated representatives from both union and management. The entire case, including all argument, is presented at the hearing. There is no transcript and there are no posthearing briefs. The arbitrator is required to absorb the entire dispute during the course of the hearing. The time frame for action by the arbitrator is very tight. He must decide the case on the spot or within 48 hours at the outside; in issuing his decision, however, the arbitrator may offer a brief written explanation. It is apparent that the emphasis given the hearing imposes on the arbitrator the obligation to conduct the hearing in a manner that will preserve the parties' confidence in the expedited system.

Because of the relatively short experience with expedited arbitration in the Postal Service, it is difficult to offer a conclusive judgment on its merits. Confidence in the procedure appears to be on the rise, but less than all of the skeptics have been converted. I have heard negative comments from both labor and management representatives. For example, I have been told that the hearings in expedited cases are as long as those in the more complex traditional cases and that

the participants incline to be formal and to inject contract issues. Some of the written decisions have been much longer than the parties have expected. As a general proposition, however, the comments I have heard from union and employer representatives have been favorable. In broad scope, they suggest that the expedited system is meeting the fundamental goals of more prompt resolution of all grievances and reduction of costs.

As stated earlier, the parties established expedited arbitration in Postal Service labor relations on an experimental basis for one year. I have no doubt that the experiment will continue beyond the one-year period. I believe that the long-term success of the system will require continuing review of its operation and effective separation of those cases that are more properly handled under the traditional procedures.

In the context of Postal Service labor relations and the number of disputes that are likely to arise in that framework, I find myself thinking that the expedited arbitration system will work if for no other reason than that the alternative is depressing. People of good faith are participants in the system, they believe in the system, and I am convinced they will make it work.

XII. THE IMPACT OF NEW IMMIGRANTS IN LOW WAGE MARKETS

Immigration as a Social Issue

BRUNO STEIN
New York University

Until recently, migration has received far less attention from economists and labor specialists than it deserves. This is deplorable for, in any large sense, population movements are powerful factors that do more than determine wage levels among garment workers near the Mexican border; population movements determine the shapes and compositions of nations. One could paraphrase Marx and argue that the history of the world is the history of population movements: through conquest, through forcible deportation, through voluntary settlement, and in a negative sense, through genocide. Teutons and Celts, Chinese and Vietnamese, Arabs and Africans, Europeans and American Indians, the transportation of Africans to the Americas—these movements seem lost in the mists of history.

Even the great migrations of the 19th century are thought of as once and for all events that can now be forgotten. However, migration cannot be consigned to the history books. In the past few decades, we have seen considerable movement both within nations—including ours—and across national boundaries. The western European growth phase of the 1960s brought millions of workers into European nations. They came into EEC nations from Africa (both North and Sub-Saharan), Turkey, Greece, Yugoslavia, Spain, and Portugal. Before that, in the 1950s, Britain had received a substantial African, Caribbean, Mediterranean, and Indian contingent. And it is noteworthy that some of this movement—this classic labor market adjustment—was illegal. Indeed, official estimates of the number of "guest" workers in EEC countries are believed by EEC officials to represent only about two-thirds of the total (although, all estimates of illegals, are, of course, chancy).

We know very little about the characteristics of migrants—especially illegals—and people in the receiving countries develop very fanciful notions about them. Thus, European policy-makers always believed that the foreigners whom they invited would come to clean their toilets and wash their laundry for two or three years and then go home with their savings and buy a bride or a candy store. It was with shock that Europeans discovered that a substantial portion of immigrants were not a floating labor supply, but had begun to dig in and, indeed,

propagate. Lesson 1: Not all immigrants are temporary. Whatever the migrant's ambitions at the start, his (and her) horizons change.

A second misconception stems from the superior feelings that come from being a native. This is embodied in Emma Lazarus's classic description of 19th century immigrants as "the wretched refuse of your teeming shore." But any group of people who tear themselves loose from home and travel great distances to alien cultures are likely to contain an upward mobile and petit bourgeois component. Lesson 2: Some members of the group will not be content to hew wood and draw water all their lives, but will spill over into the skilled trades and into the small business sector (thus bringing benefits and creating friction).

The flow of immigrants is said to constitute a problem. An ugly aspect of this is that it forces the native population to make explicit choices on whose welfare shall be favored. One commonly accepted political value judgment is that natives are more deserving than foreigners, and that some foreigners are preferred to others (e.g., the recent Canadian move to curtail the inflow of blacks).

The migration problem—however defined—goes beyond the economics of labor markets. The redistributive impact of immigration extends into product markets, especially those in the competitive sectors that commonly utilize lower wage labor. The gainers from immigration are thus not only wicked exploitative employers, but also consumers of the relevant goods and services. The losses are not confined to displaced workers (if any) and to those whose labor standards are affected by the presence of a pool of low wage labor. The importation of foreign low wage workers can create externalities in the form of racial and ethnic friction, deterioration of neighborhoods, impactation of schools, and so forth.

All international resource flows are reallocative and also redistributive. Human resources are no exception. To the extent that immigrants remit funds home (as well as improve their living standards here), immigration is redistributive to people in foreign countries. Hence, immigration becomes a legitimate foreign policy concern to both the sending and receiving nations. Immigration also raises the uncomfortable moral question: To what extent, and in what manner, do we really want to be bountiful to the less favored people of the world? If world income is maldistributed, immigration from less developed to more developed nations can help to correct the maldistribution. I suspect that American feelings about world income redistribution are not unlike the feelings of any upper income group about sharing the wealth. Given the strong feelings and interests involved, it will be a challenge to social scientists to deal with the topic in an objective and social scientific fashion.

Mexican Labor in United States Labor Markets[1]

WALTER FOGEL
University of California, Los Angeles

The size of the "official"—that is, Census counted—Mexican-born population of the United States in the 20th century has been generally responsive to labor market conditions. Mexican-born persons in the U.S. more than doubled to a level of half a million between 1910 and 1920 in response to wartime labor demands and the fall-off in immigration from Europe. World War I marked the first use of Mexican aliens in northern industry. Henry Ford employed them in his automobile plants in 1918 and, at approximately the same time, they were employed in steel mills, fertilizer plants, packing houses, foundries, and various kinds of construction and maintenance thoughout the Midwest, especially Chicago, Detroit, and Kansas City. Previously, the employment of Mexicans had been largely confined to agriculture, mining, and railroad maintenance in the Southwest.

The Mexican-born population of the U.S. continued to grow through the 1920s, but then fell rapidly from 640,000 in 1930 to 380,000 by 1940. Most of the decline was effected by voluntary movement back to Mexico precipitated by high unemployment in the U.S., but some of it was directly and indirectly due to coercive repatriation of Mexican aliens, with little attention to the civil rights of those involved.

The 1930s most dramatically illustrate the major theme of U.S. utilization of Mexican labor. That theme is that Mexican labor has been viewed as a mobile commodity, more like capital and raw material resources than human labor. Mexican workers have been courted and their migration encouraged in periods of labor shortage, but they have been dealt with as unwanted aliens when the shortage disappeared.

Since 1940, the Census Mexican-born population has grown rather steadily to a level of over 800,000 by 1970. Proportionately, however, the Mexican-born population of the U.S. is smaller now than it was in 1930. The current figures are 0.4, 2.2, and 1.9 percent, respectively, of the population of the U.S., California, and Texas. The 1930 figures were 0.5, 3.4, and 4.5 percent.

But the Census data greatly understate the size of the Mexican population. In the first place, the March 1973 Current Population

[1] Documentation for this paper is contained in a much longer article which was prepared for a volume on Mexican labor migration to the United States.

Survey estimated a Mexican-origin population in the U.S. which was almost 40 percent larger than the 1970 Census figure. The Bureau of the Census disingenuously ascribed the increase to an enlargement of the categories available for responses to the national origin question, a change in the method of classifying the origin of children, an updated sample design, and annual population growth. But without doubt, part of the increase in the Mexican-origin population resulted simply from a more accurate estimate in 1973 than was provided by the 1970 Census enumeration. We can assume that if 1973 data on the Mexican-born population were also available, they would show population growth between 1970 and 1973 at a rate at least as large as the 40 percent found for the total Mexican-origin population.

Secondly, neither the decennial Census nor the CPS counts many of the illegal Mexican aliens who are in the U.S. At present, nothing more than guesses exist about the size of that population, but all of the guesses are several times larger than the size of the Mexican-born population as counted by the Census. Indeed, since World War II, fluctuations in the number of Mexican nationals in the U.S. have been effected largely through the flow of illegal rather than legal immigrants.

Immigration

Legal and illegal immigration of Mexicans is, of course, the way in which a Mexican work force in the U.S. is maintained and expanded. Illegal immigration now dwarfs the legal variety, but, unfortunately, the qualitative and quantitative dimensions of the former are obscure.

Legal immigration from Mexico is now running at the rate of 70,000 a year, but immediate increments to the U.S. labor force are much smaller, since two-thirds of those admitted legally are houswives and children. Illegal immigrants, on the other hand, are thought to be principally young males who immediately become part of the U.S. work force.

By its nature, illegal immigration cannot be measured. But a view of changes in the flow of illegal immigrants can be obtained from figures on the number of Mexican illegal aliens who are annually apprehended by the U.S. Immigration and Naturalization Service, provided that the apprehension efforts of the INS and its Border Patrol Division remain constant. We make that assumption here.

Apprehension of Mexican illegals rose sharply after World War II from 91,000 in 1946 to 458,000 in 1950 and a peak of more than one million in 1954. The 1954 "Operation Wetback," which secured the border according to the commissioner of the INS, was necessary for continued public approval of the bracero program under which contract

Mexican labor was brought to the U.S. for seasonal employment in agriculture. After 1954 apprehensions of Mexican illegals dropped to about 35,000 a year for the next 10 years. Use of braceros, in contrast, rose from 200,000 in 1953 to 440,000 in 1959. Public controversy over this program then brought a decline in its use until the program lapsed at the end of 1964.

An immediate surge in illegal immigration followed the end of the contract labor arrangement. Apprehensions rose from 49,000 in 1965 to 90,000 the next year and to 190,000 by 1969. They were at the 800,000 level in fiscal 1974 and still climbing, apparently. Unquestionably, the end of the bracero initiated the sharp rise in illegal entry in the middle 1960s. This rise was clearly predictable based on termination of a contract program which had employed 200,000 workers a year and the history of success which growers in the Southwest have had in obtaining cheap labor one way or the other. But once the climb began, other forces, particularly the wide disparity between incomes in Mexico and the U.S., brought the rate of illegal entry to its current high level.

The "push" of rural poverty in Mexico and the "pull" of job opportunities in the U.S. are illustrated by the great increases which have occurred in the border populations of Mexico. The four Mexican border cities of Tijuana, Mexicali, Ciudad Juarez, and Nuevo Laredo—each located adjacent to important U.S. labor markets—have grown in population from 153,000 in 1940 to 1,650,000 in 1967—a more than 10-fold increase. Samora, in his book *Los Mojados* (The Wetbacks) has put it succinctly: "attracted by the stories of work opportunities in the U.S., the poor of Mexico have been piling up along the border in the hope of entering the United States, either legally or illegally."[2]

U.S. firms, encouraged by Mexico's Border Industrialization Program, have recently attempted to make use of border area labor supplies by locating labor intensive manufacturing plants on the Mexican side of the border. The existence of these plants, in turn, attracts additional persons from the interior of Mexico, adding to the proximate potential for migration to the U.S.

In short, without the benefit of active public policy, the border areas of Mexico and the U.S. are becoming increasingly unified in economic terms. Complete unification would see tremendous flows of labor into the U.S. even if existing restrictions on the movement of U.S. capital to Mexico were reduced. Population of the six border states of Mexico is projected to grow from five and a half million in 1960 to nearly 14 million by 1980.

[2] Julian Samora, *Los Majados: The Wetback Story* (Notre Dame, Ind.: University of Notre Dame Press, 1971), p. 10.

But the flow of Mexican labor to the U.S. is already great. Estimates of the number of illegal Mexicans who currently enter the U.S. each year range from two to four million, and four to 12 million is the estimated range for the number presently living in the U.S. These are just guesses, but clearly, the numbers are large enough to have important impacts on some U.S. labor markets.

Concentrations of Mexican Workers

Four-fifths of all Mexican-born workers, whether legal or illegal immigrants, are located in California and Texas. Los Angeles has by far the greatest concentration—100,000 workers in 1970 plus 150,000 or more illegals. Chicago has the next greatest number and is experiencing the largest percentage increases in both legal and illegal Mexican labor. Mexican-born fractions of the labor force are greatest in U.S. border cities, although the absolute numbers are not large. These cities, for example, San Diego and El Paso, are also the destinations of the 60,000 workers who commute daily or weekly from their residences in Mexico to their jobs in the U.S. The largest relative concentrations of Mexican workers, including the illegals, are no doubt in the agricultural areas of California.

Lack of data and the grossness of Census classifications make it difficult to document the occupational and industrial distributions of Mexican workers. Data are available for Los Angeles, disclosing that in 1970, Mexican workers were 10 percent of all operatives in the Los Angeles area, 7 percent of all laborers, and 23 percent of all farm workers. Complete Census enumeration of illegal workers would probably more than double these percentages.

Informal sources and inferences from Census data on the Spanish surname population provide additional suggestions about the jobs of Mexican workers. The nondurable sector employs many of these workers, specifically, apparel and other textiles, rubber and plastics, stone and clay products, cosmetics, furniture, food processing, and footwear. Other industries which employ many Mexicans include primary metals manufacturing, laundry services, food services, railroad transportation, and construction. Much of this employment is in semiskilled factory or unskilled manual jobs. On the other hand, Mexican nationals have attained noticeable significance in a few fairly skilled occupations, as sewers and stitchers in the apparel industry, construction carpenters, and private household workers, for example. Agriculture, of course, continues to be a prominent employer of Mexican workers, many of them illegal aliens, but growth of the Mexican work force is now largely outside of the agricultural sector.

Characteristics of Mexican Workers

The educational deficiencies of the Mexican-born work force are a dominant characteristic which largely confines this group to low skill sectors of the manual work force. Only 15 percent of all Mexican-born males age 16 and over were high school graduates in 1970, compared to 32 percent of all Spanish-surname males and about half of all U.S. males of that age. Further handicaps are lack of facility with English and noncitizenship—about two-fifths of the Mexican-born persons living in the U.S. in 1970 were U.S. citizens. According to the Census, one-fifth of the Mexican-born labor force in 1970 had immigrated to the U.S. after 1965 and almost three-fourths had been in this country since 1950, although not necessarily on a continuous basis.

The above characteristics refer to Mexican workers enumerated by the Census. A limited amount of information exists on illegals. Of those apprehended in 1968, 88 percent were adult males and almost the same percentage were either working or looking for work at the time of apprehension. Attorney General Saxbe has recently estimated that the agricultural, industrial, and service sectors of the economy each employ about one-third of the illegal alien work force. This sounds like a reasonable guess, but I have not yet been able to determine the basis for it.

A 1968 sample of 493 illegals in detention at deportation centers provides some further information. Twenty-one percent of the persons in the sample had been apprehended twice and 25 percent had been arrested three times or more. Thus, if this sample is representative, a majority of those apprehended are first-time, illegal immigrants. My guess is, however, that most of the illegals now in the country have made more than one trip across the border. Ninety percent of this sample was under age 40, had less than six years of schooling, and could neither speak or understand English. A majority had worked in agriculture in Mexico prior to their migration. The modal wage of employed persons in this 1968 sample was between $1.00 and $2.00 an hour, with the median probably below the $1.60 an hour, then, federal minimum.[3] Given the fact that he was also a fugitive from the law and extremely wary of most government institutions, the illegal Mexican worker emerges as very badly handicapped for the achievement of labor market success. This is relative, however. Even very limited success in U.S. labor markets is apparently attractive to the potential illegal immigrant.

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[3] A recent letter from the commissioner of the INS to the Los Angeles *Times* (November 14, 1974) suggests that the wage rates received by illegals are greater than previously thought. The commissioner stated that of 8800 illegals apprehended between July and September 1974 in Los Angeles, almost half were employed at a wage of $4.50–6.50 an hour.

Information on one measure of labor market success, family income, is available for the part of the Mexican-born population which was enumerated by the Census. Median family income of all families headed by a Mexican-born person in 1969 was $6440, or about 65 percent of the figure for all U.S. families. The lowest incomes of this group were in South Texas; the largest were in the Midwest. Median income of Mexican families in Chicago in 1969 was $9030; in Detroit the figure was $10,930. Evidently we can expect to see increased movement of Mexican workers to the Midwest in this decade.

Significance of Mexican Labor

The directions of the impacts of Mexican workers on U.S. labor markets are clear: lower wages and prices and greater employment and output than would exist in the absence of these workers; also less unionization and greater income inequality. The magnitudes of these impacts are not clear, however. Besides information on the numbers and locations of illegals, we lack knowledge of the relevant demand and supply elasticities. The magnitudes must be very low at a high level of aggregation since Mexican workers are such a small part of the U.S. work force. But they must be considerable in low skilled occupations in particular locations of the Southwest and even of Chicago.

Mexican workers are largely found in what has come to be called the secondary labor market—a useful, even if imprecise, concept. The match between illegal Mexicans and secondary markets is particularly good. The illegal has little skill, he needs a job quickly, he is necessarily a docile worker, and he is unlikely to continue his employment for very long, even if he can escape the INS. The last characteristic makes him particularly suitable for seasonal employment. He not only accepts layoffs unquestioningly, but also returns to Mexico in most instances and, consequently, exerts no demand on community social services. Because of these characteristics, he represents almost an ideal labor supply from the point of view of the California rural establishment.

Mexican workers, in short, provide elastic increments to labor supply in secondary markets and, thus, help to maintain the low wage and other characteristics of these markets. The increased flow of illegals in the low unemployment years of 1966–1969 is an example of this phenomenon. Notice, however, that the illegal flow continued to increase through the higher unemployment years of 1970, 1971, and 1974. Once the migration flow is initiated, it is apparently difficult to stem.

Currently, with unemployment over 6 percent and annual apprehensions of illegals approaching the one million mark, the Administration appears to be trying to build public support for a major deporta-

tion and border control effort. It is hard to avoid cynicism about this effort because it appears to be merely the most recent chapter in a rather consistent policy toward Mexican workers: use them when labor is scarce and then send them away. The dominant force in that policy for most of this century has been the self-determined needs of growers in the Southwest.

This undeclared policy has benefited most of us through lower prices, but it has been of particular benefit to farms and low wage employers. Ironically, much of the costs of the Mexican labor flows to the U.S. have been borne by Chicanos. Better wages and working conditions for Chicanos, through either competitive market forces or unionization, have been partially stymied by the availability of Mexican workers to many markets in which Chicanos are heavily employed.

This conclusion is scarcely debatable; yet Chicanos, by and large, are against policy changes which would reduce the labor flow from Mexico. Their position is reinforced by concern for the people of Mexico in general and their friends and relatives in particular. This concern is greatly strained where Mexican workers are proximate competitors, however. Witness the recent attempts of the United Farm Workers of America to persuade illegals to return to Mexico.

Policy-making on the Mexican immigration question is difficult and we have avoided facing the task. Shutting off the illegal flow would be opposed by many Chicanos, agricultural interests, and low wage employers. It would also strain diplomatic relations with Mexico. On the other side, a continuation of the present flow reduces the incomes and job security of workers who already have too little of both. The current level of flow also mocks our poverty effort and other programs designed to improve the conditions of Chicanos and other low income workers.

I believe that it is past time to face these policy questions. Our lack of formal policy has allowed government officials to manipulate Mexican labor flows as they see fit. This manipulation has much better served the interests of employers and most consumers than it has those of either the Mexican or the American poor.

The "New Immigration" and the Presumptions of Social Policy

MICHAEL J. PIORE
M.I.T.

This paper is about the "new immigration" in the United States. I have a great deal more I would like to say on the subject than this forum permits. I am forced, therefore, to streamline my presentation. Rather than sacrifice breadth, I have decided to sacrifice depth. As a result I am bound to be accused of academic irresponsibility. I hope by so doing, however, to stimulate research and debate. I trust you will agree when I am finished that even if there is a 25 percent probability that I am right, it is the socially responsible course of action.

I want to cover three basic areas. First, I would like to establish that there is indeed a new wave of immigration and that it is a large, growing, and important phenomenon. Second, I would like to tell you why I think it is happening. Finally, I want to assess its implications for social policy in general and labor market policy in particular. These are no less than a complete reversal of the basic presumptions upon which that policy was based in the 1960s and upon which it rests today.

The basis for what I am saying is a preliminary study I just began on illegal aliens on the East Coast, and an earlier in-depth study of the origins and dynamics of Puerto Rican migration to the Boston labor market.[1] The two are related not because Puerto Ricans are aliens—they are in fact U.S. citizens—but because Spanish-speaking aliens masquerade as Puerto Ricans, and at this time in Boston share with them many of the same jobs. Thus, in studying the Puerto Rican labor market, I could not help but be struck by the immigration phenomenon. It was clear from the Puerto Rican study that many of the conclusions were also applicable to the aliens.

1. What Is Happening?

What is happening is that there is a vast new wave of immigration to the United States, virtually all of which is illegal. Because it is illegal, it is impossible to present an exact quantitative description, but the following list of factors appears to characterize the current situation.

[1] Michael J. Piore, "The Role of Immigration in Industrial Growth: A Case Study of the Origins and Character of Puerto Rican Migration to Boston," M.I.T. Department of Economics Working Paper No. 112, May 1973.

A. The official estimate of the Immigration and Naturalization Service (INS) suggests that there are over seven million illegal aliens in the United States today,[2] almost all of whom are members of the labor force. This implies that illegal aliens constitute almost 8 percent of the total work force, a figure very close to the share of the labor force which is black (when the total labor force is corrected to include the aliens). It is comparable in terms of its share of the labor force and equal in absolute numbers to the number of alien workers in Western Europe.

B. The number of aliens is growing very rapidly. The rate of increase is suggested by the aliens apprehended by the INS: 600,000 in fiscal 1973, 800,000 in fiscal 1974, and a projected one million in fiscal 1975. (These figures are thought to imply a gross inflow at least two and possibly four times as large, suggesting that the bulk of the present stock of immigrants entered the country within the last four years.) The comments of employers, community organizers, social workers, and the like tend to confirm the impression these figures convey.

C. The population of illegal immigrants in the past several decades has been heavily concentrated along the Mexican border and in agriculture. This is *not* true today. Here official figures are distorted by the fact, first, that a large percentage of the aliens come from Mexico and pass through the border regions, and second, that for historical and budgetary reasons the INS concentrates its enforcement efforts in this region. But the recent *growth* of the alien population appears to be occurring in industrialized urban areas throughout the country. Even in the Southwest, the bulk of the growth seems to have occurred in the urban areas of California. A large portion of the new Mexican migrants who pass through the southwest territory are going directly, or after a brief stay in the region of entry, to *midwestern* cities. A few Mexicans are beginning to appear on the East Coast.

D. In the Northeast the alien labor force may be as important in relative terms as it is in the urban areas of California and the Midwest.

[2] This and subsequent figures are drawn from private interviews with officials of the Immigration and Naturalization Service. They are generally also the figures given in press interviews. It is not clear to me exactly how INS estimates are made, but in every city with which I have had contact, INS estimates are at the low range of the figures offered by knowledgeable individuals and organizations. The seven mission estimate of the INS is generally used as the total population of illegal aliens but, given (a) its apparent downward bias, (b) the fact that virtually all aliens come to work, and (c) the fact that most of the contacts of the INS are with working aliens, it seems reasonable to use it as a rough estimate of the number of aliens in the labor force as well. The actual figure might be one million smaller. I doubt it is much larger because that would imply a rate of growth of the alien population that the hypothesis developed below as to why that growth is occurring makes implausible.

The INS estimates that there are one million illegal aliens in the New York metropolitan area, a figure equivalent to roughly 10 percent of the labor force. The official estimate for Massachusetts is 6,000 illegals, but my own study of Puerto Rican migration suggests that this figure probably is an underestimate of the numbers in Boston alone in 1972, let alone in mid-1974 when the INS estimate was made. In Massachusetts, at least, this is a completely new phenomenon. The bulk of the Puerto Rican population dates from after 1966. The alien population began to become noticeable only around 1968 or 1970.

E. The largest alien population on the East Coast comes from the island of Hispanola; the two countries on the island (Haiti and the Dominican Republic) are probably responsible for over half of the aliens in New York. But there are substantial numbers of people from all of the countries bordering on the Caribbean, and some representation from virtually every Latin American nation. The diversity of the alien population is perhaps not surprising in a cosmopolitan city like New York, but even in Massachusetts one finds small groups of illegals from, for example, Uruguay, Argentina, and Paraguay. Most of the Northeast alien population enter on visiting or tourist permits and then take jobs. Spanish-speaking aliens tend to pass themselves off as Puerto Ricans. A distinction between Puerto Ricans and other Spanish-speaking groups is, in any case, not apparent to the native population and is really recognized only by the alien population, the Puerto Ricans, and, usually but not always, by the officials who deal with these two groups.

F. The illegal aliens are concentrated in what those of us who subscribe to the dual labor market have termed the secondary sector, i.e., jobs which tend to be characterized by low wages, poor working conditions, instability, lack of advancement opportunities, slight skill requirements, and a personalized relationship between supervisor and supervision. These jobs tend to be more prevalent in certain industries than in others, but apart from that concentration, there is no clear industrial pattern to the new immigration. Thus, a typical INS estimate for a northeastern state suggests that perhaps 50 percent of the aliens are in the service sector, 25 percent in heavy industry, and 25 percent in light industry. These are essentially jobs which have been rejected by the native labor force.

G. There are a series of exceptions to the above pattern in which illegal aliens appear in higher level jobs. Certain banks and insurance companies have allegedly made extensive use of illegal workers from the British West Indies to meet their EEOC targets because they prefer the accent and demeanor. The construction unions are now concerned about illegal craftsmen from Canada, who entered the industry boom

of the late 1960s and early 1970s. The number of foreigners in the medical profession also constitutes something of an exception, although they seem to be largely legal. These exceptions have attracted a great deal of public attention because, in each one, foreign workers are in direct competition with domestic labor; but relative to workers in the secondary sector, their quantitative significance is trivial. The immigration, moreover, appears responsive to efforts of organized workers in industries under heavy demand pressure like those in construction and medicine to avoid, through an immigration which they believe to be reversible, a permanent expansion in supply or in supply institutions. This is a different dynamic than the one under discussion here. For these reasons, the higher level immigration is excluded from our purview in what follows.

2. Why Is It Happening?

The occurrence of large scale migration from Latin America and the Caribbean should come as no surprise. There is, after all, a vast disparity in income between the two borders. In the case of Mexico, there is an exceedingly long border, much of which is readily accessible to the native population and difficult to police. In the Northeast, entry is facilitated by visa policies for temporary visitors to the continent and to Puerto Rico. The interesting question is why this massive migration has suddenly begun now in the late 1960s and early 1970s and not earlier, when the income disparity was if anything larger.

My answer to this question rests heavily upon a study of Puerto Rican migration to Boston, a migration which unlike that in New York is of relatively recent origins, becoming noticeable only in the late 1960s and more or less coinciding with the arrival of alien workers with whom Puerto Ricans share much the same jobs. That study strongly suggested that the Puerto Rican migration was initiated by active recruitment efforts on the part of employers, responding to a labor shortage at the bottom of the labor market in, to use the terminology of the dual labor market hypothesis, the secondary sector. The vacuum was attributed by employers to the growing intransigence of the black labor force, the reluctance of black workers to accept these kinds of jobs and the intractability of those who did accept them at the work place. The change in the attitudes of the black labor force in turn appears attributable to a shift in its composition from a first generation recently arrived from the rural South to a second generation who had grown up in northern urban areas. Faced with changing black attitudes, employers sought out Puerto Ricans in Boston and sent them home to their native villages on the island to bring back their relatives and friends.

The basic hypothesis which emerged from the Puerto Rican study was that this shift in generations is a systematic characteristic in the processes of industrial societies: Adult native workers in any industrial society tend regularly to reject secondary jobs because of low social status and the instability and lack of career opportunity which they carry. These jobs, however, tend to carry much higher relative status in the social structures of rural agricultural communities. That and the fact that rural workers who migrate to urban areas generally expect to stay only temporarily and are therefore less interested in career opportunity and work stability, make migrants an attractive source of labor for the secondary sector and they are recruited for that purpose. Whatever their original intentions, however, many migrants do remain in urban areas and raise their children there. The children share the attitudes of the native population—indeed, whatever their place of birth, they *are* in this sense native. This intergenerational shift thus requires the continual generation of new migration streams to maintain a labor force for secondary jobs.

These hypotheses suggest that the new migration of aliens must be viewed as the latest manifestation of the basic process through which industrial societies man the positions at the bottom of their social structures. In Western Europe, reliance was initially placed upon internal migration and the immigration of alien workers is primarily a phenomenon of the post-World War II period. In the United States, we relied upon immigration in our early industrialization and only with the closing of the borders, first by World War I and then after that war by legislation, did we turn to domestic labor reserves. The full impact of this shift was delayed by the Depression, so that the heavy internal migration was largely a product of the forties and fifties. By the late 1960s, we had for all practical purposes exhausted our internal labor reserves, the bulk of whom were black. And it is this, the hypotheses suggest, which is primarily responsible for the new wave of foreign workers.

To this basic hypothesis must be added one additional factor which is undoubtedly working to aggravate the labor shortages and increase the pressure to recruit foreign workers. Youth has traditionally shared the secondary labor market with blacks and other recent migrants. Young people are an attractive source of labor for much the same reason as are migrants. First, they plan to hold the jobs temporarily, before they settle into a permanent career, often while they are still in school. Second, they live with their parents or in a school community and operate in a social setting where status is not yet connected to work. They are

thus affected by neither the lack of long-term career prospects nor by the low social status in the secondary sector, both of which deter native adults. The exhaustion of our domestic labor reserves, however, is beginning to coincide with a major shift in the relative importance of the youth labor force. The bulge in the population created by the post-World War II baby boom which swelled this labor force in the sixties is now passing out of the youth age groups. By the end of the decade, that labor force will begin to decline.

It is more difficult to substantiate all of this in the case of alien workers than in the case of the Puerto Rican population because the recruitment of the former is legal whereas the latter is not. But it is clear that, in Massachusetts at any rate, illegal aliens are workinig in a set of jobs previously held by blacks, by youth, and by the legal immigrants of an earlier era. In the case of youth, moreover, there is still a certain amount of interchange—young workers taking the jobs in the spring, when school lets out, and then being replaced by aliens as youth participation tapers off in the course of the year. Employer recruitment is confined to "word of mouth" through existing employees, the first recruits coming in off the street, and seldom extends, as it does in the case of Puerto Ricans, to sending an employee home to recruit or paying transportation costs. That kind of active recruitment abroad would be illegal. But it is still possible to trace most ethnic *communities* to a specific act of employer recruitment (generally within the framework of existing legislation): examples in the Boston area include a Mexican community started, under EEOC pressure, by employer recruitment in the southwest United States of workers who originally came from Mexico; a Brazilian community which grew out of the recruitment of players for a new professional soccer team.

In sum, the new migration in Boston is attributable to a shift in the composition of the native black labor force from "first" generation Bostonians who grew up in the South to a second generation, raised in Boston. The second generation is unwilling to accept the positions which their parents filled, and this has created a shortage at the bottom of the labor market. They cannot be replaced by new native recruits because the labor reserves in the rural South have been virtually exhausted. The shortage is being compounded by the termination of the expansion of the youth labor force and will be further aggravated in the future as that labor force begins to decline. The factors are not unique to Boston but are characteristic of virtually all urban industrial areas, with the possible exception of those in the South. They imply that barring a major depression, the forces generating the new immigration

are likely to increase in the coming decade, and the dependence upon foreign workers will be increasingly the central fact in manpower and social policy.

3. What Does All of This Mean?

The most important implication of the new immigration, it seems to me, is that it implies a complete reversal of the presumptions of social policy in the low income sector with which we operated in the 1960s. Social policy in that period was, on the left, one of aggressive action: *improve* education, *raise* welfare benefits, *expand* medical services to the poor, *increase* the quality of available jobs, *enhance* upward social mobility. The right tended to emphasize the abuses which sprung from these policies, particularly the overutilization of public assistance, food stamps, and other income transfer programs. Together, a kind of *enlightened* consensus has emerged in social policy in which we push to raise the income floor and enhance work opportunity while, at the same time, attempting to reduce the abuse of existing programs through technical reforms like the negative income tax.

The new immigrants, however, are illegal, and their illegal status reverses all of these presumptions. As the low income sector comes to be increasingly dominated by this group—best estimates imply that the population of illegal aliens is already one-third of the black population and three-fourths of the black labor force, that this population has grown from almost nothing ten years ago, and that it has doubled in the last two to three years—social policy must become by necessity defense. This is a population afraid to register with any legal authority, afraid to send their children to schools, afraid to apply for public assistance, afraid to use the emergency rooms of city hospitals, afraid to complain about substandard working conditions and subminimal wages. These will be truly an invisible poor. If we continue to work with the presumptions of the 1960s, we will never see them. The uneducated children of the next generation will *not* be dropouts of a school system of a quality too poor to stimulate them in the classroom. They will be children who are afraid to attend schools in the first place; children whom the reforms *in* the schools which current policy is designed to achieve cannot reach. A guaranteed income, or a negative income tax, will fail to reach the poverty of the new poor because they will never enroll in the program. Their medical problems will be beyond the reach of community health facilities, improved emergency room care, increased medical insurance, Medicaid or Medicare because they will not seek out medical help until driven to it by injury and disease which are more threatening to their physical well-being than apprehension by the INS.

I am particularly concerned, however, about the implications of all of this for the labor market, and it is with those implications which I want to conclude. There are tremendous incentives here for this labor market to go underground. The existing wage rate does not equilibrate supply and demand. The aliens are willing to work for less, and their illegal status makes them powerless to complain about violations of labor statutes. The employer could clearly profit from paying less than the minimum wage. He could also profit by escaping legal health and safety standards. Both the employer and employee could reap substantial financial gain by avoiding federal income tax withholding, social security taxes, unemployment insurance, and workman's compensation. The gains from illegality will probably be further enhanced by medical insurance. Just to mention all of this, morover, is to recall the whole net of welfare legislation and to suggest the labor market of 1900, before that legislation was passed—the world of the sweat shop, the Triangle fire, and child labor. It is that world to which we are in danger of returning.

Despite the economic incentives, I do not think we are in that world yet. There is an underground market in the *transport* of alien labor. That market is particularly strong on the Mexican border, but it has developed even in the Northeast as temporary visas, through which most aliens entered, have been increasingly controlled. But there is little evidence that the *labor market* has gone underground. The reason is, I think, that the penalties on the employer for violating the Fair Labor Standards Act and evading income and social security taxes are substantial, and the penalties for hiring alien workers are nonexistent. Given this, the balance argues in favor of compliance. But, the thrust of proposed reform in the immigration law is to penalize the employer for hiring aliens, and that will change the balance of risk. I am less concerned about the precise provisions of, for example, the Rodino Bill than the logic which underlies them. Over time, that logic will drive the labor market underground and push the low income labor market into a world we have not seen in this country for 50 years.

Moreover, an underground labor market will, I think, be larger than our current labor market because, once the labor market goes underground, the legislative and social sanctions which create the floor on conditions in the secondary sector will be removed. The size of that sector will no longer be determined by the consumption patterns and work structures we have become accustomed to in the past. We will be tempted by new patterns of life offered at the bargain prices which an underground market permits. Once we become accustomed to this pattern, it is they which will determine the floor on the secondary sector.

The process will then have become irreversible. None of this is to argue in favor of our existing immigration system, but the solution does not lie in the attempt to enforce restrictions which have become untenable. It lies instead, it seems to me, in an effort to regularize and control a process which has become inevitable. The failure to do so will lead, I believe, to a world, which will make the social conditions against which the war on poverty struggled in the 1960s seem, in the 1980s and 1990s, genuinely benign. Moreover, if we are not moved to this position by empathy and compassion, the social history of the 1960s should move us to act through narrower personal motives to preserve the social structure. The history of the sixties can be read as a rebellion of second generation migrants in urban areas against the conditions to which their parents migrated willingly out of rural poverty and oppression. How much greater will be the wrath of the children of the new immigrants, born with citizenship rights in America, rebelling against an underground labor market in which their parents are trapped—trapped first by a drive toward higher incomes but later by the threat of deportation to the increasingly strange, distant world from which they came and the enforced separation from the family of American children which that deportation implies.

DISCUSSION

VERNON M. BRIGGS, JR.
University of Texas at Austin

For the first time since the pre-World War I era, labor migration into the United States is emerging as a major policy issue for the mid-1970s. As always, there is both a quantitative and a qualitative dimension to the topic. "How many" and "who are they" have been the traditional research questions on the subject. It is not surprising, therefore, that these concerns are the topics of both papers.

An examination of contemporary labor migration quickly shows that its character is without earlier parallel. As a result, a host of new policy questions have arisen. Both papers correctly stress the quantitative fact that illegal entry far exceeds the number of legal entrants. For this reason I would prefer to use the term "alien migration" to describe the phenomenon. The phrase "new immigration" offers the possibility of confusion since the identical term has been applied by historians to the 1890–1910 era when immigration sources to the United States switched from western and northern Europe to southern and eastern Europe.

Before turning to the points made by the speakers on the topic of alien migration, I do feel that some recognition of the relationship between legal and illegal immigration should be noted. The two are not unrelated flows. Since the Immigration Act of 1965 eliminated the ethnocentric aspects of the old immigration law that had prevailed since 1924, a new preference system that is based upon considerations of family reunification, overcoming shortages of skilled workers, and the accommodation of a limited number of political refugees has been created. The limited research currently available as to the effect of the 1965 Act on the domestic labor force has concluded that it is having a "substantial impact." Legal immigration now accounts for about 12 percent of the annual increase in the civilian labor force, and the distribution of legal immigrants is uneven with regard to their impact on certain geographic regions, urban areas, and certain occupations. Legal immigration is related to illegal immigration in two ways: First, it has been well documented that many illegal immigrants become legal immigrants through a variety of devices such as marriage to an American citizen or birth of a child in the United States, or through political-pull that is often provided by an influential employer or a religious or community-based organization. Second, the new preference

system favors exclusively skilled workers, with minimum opportunity provided for unskilled and low income workers to gain legal admission. Hence, the illegal route has become the established alternative to the unskilled worker.

Gaining entrance to the United States for the unskilled worker is literally no problem. The prevailing status of the law in the United States places no penalty on the employment of illegal aliens by employers or on the alien workers either since 95 percent of all aliens who are apprehended are given "voluntary departures" back to their home land. Therefore, neither the employer nor the alien has anything to lose. Both gain. The only losers are the domestic labor force participants who must compete with these workers for jobs usually in the low wage sector of the economy. The supply of aliens, as both Fogel and Piore indicate, serves to keep these jobs in the secondary labor market in constant worker surplus.

Fogel has amply set forth the alternatives that alien migration presents. Either strong policy measures are taken to control this flow of rightless workers or the situation is allowed to continue as it is. In the latter case, the result is that a shadow labor force mounts in size and millions of citizen workers are condemned indefinitely to either unemployment or intermittent employment in low wage, insecure, dead-end, and nonunion jobs. Fogel has chosen to demur from spelling out the policy steps required to quell the tide of illegal alien migration. I do feel that this reluctance is unfortunate, but it is certainly understandable. There is a desperate need to air all of the policy alternatives, for there is absolutely no Pareto optimal solution. Either way, millions of human beings are going to be condemned to lives of poverty and maybe even squalor.

Piore, on the other hand, has succinctly described "what is happening" and "why." I have no qualms with his analysis, but where we part company is over his conclusion that alien migration is "inevitable." He sees the problem as one in which the existence of a secondary labor market causes employers to search constantly for a new source of easily exploited workers. Rather than try to stop or to control the flow of illegal aliens, Piore suggests, by implication, that we should learn to live with the problem. He fears that intervention will only drive the labor market itself underground where even the minimal social protections that currently prevail would be evaded. In response, I would say that in the Southwest where alien migration has reached epidemic proportions, many of the abuses he fears will develop already exist. Violations of the minimum wage and social security laws are already commonplace. In addition, there are even worse human

tragedies. The illicit transport of human cargo has already become an institutionalized process; the forgery of identification papers is a burgeoning business; and the practice of "loansharking" the funds needed to purchase both transportation and illegal documents at exorbitant interest rates has been established by organized criminal elements so as to create an extortion system of human bondage for countless numbers of Mexican nationals. Also, I feel, it is important to consider carefully the effect that massive and uncontrolled alien migration has upon the people with whom they generally compete. It is no accident of fate that half of the nation's seasonal migratory workers come from South Texas; or that unionization is virtually nonexistent in many of the industries of the region; or that most manpower programs in the area have been converted into income maintenance programs; or that the federal minimum wage is, in fact, the prevailing wage irrespective of years of experience or level of training; or that educational attainment rates for Chicanos in the Southwest are the lowest of any racial or ethnic group (except possibly those of American Indians) in the nation. All of these are characteristics of a surplus labor market.

For these reasons and others that I could recite if time permitted, I feel that the problem of illegal immigration must be addressed directly as a prime cause of impoverishment and not merely as a symptomatic characteristic of the existence of a secondary labor market. Also, there are powerful "push" forces at work that affect the current migration patterns and which would exert their influences even if a secondary labor market did not exist.

I hope this session marks the beginning and not the end of the exploration of this vital topic.

DISCUSSION

DALE L. HIESTAND
Columbia University

I am pleased that we have this opportunity to reopen the subject of immigration, for both legal and illegal entry have been larger than commonly supposed and both are rapidly changing in character. Ever since World War II, legal immigration has been running at more than 3 million per decade. Besides the continuing immigration from the Western Hemisphere and Europe, there have been frequent waves of political refugees: the displaced persons of World War II, the displaced Chinese after 1950, Hungarians after 1956, Cubans after 1960, Hong Kong Chinese in the mid-1960s, and Filipinos currently. Immigration has increasingly come from the Mediterranean (Italy, Greece, Portugal, Arab countries) and, since the change in immigration laws in the mid-1960s, from the outlying parts of Asia. Throughout this period there has been a large illegal immigration of Mexicans.

I think it unwise to focus on only the illegal immigration in low wage labor markets. Our immigration laws have tended to favor skilled, middle-class immigrants, but both the legal and the illegal come for similar reasons. Moreover, the middle-class, legal immigrants compete with our depressed populations, for they preempt opportunities for upward mobility for our citizens. In the cities of the Northeast, nearly all the new ghetto physicians are foreign-trained, mainly Asians, while our medical schools are not meeting our current needs and there are relatively few Negroes and Spanish-speaking entering American medical schools.

The large-scale illegal immigration into northeastern, southwestern, and even middle western cities should warn us again that our data on populations and employment in central cities are highly questionable. Clearly, the Census and current counts are missing many persons, a large proportion of whom may be illegal immigrants.

Fogel and Piore reach different judgments about the illegal immigrants, and especially about the extent to which they compete with domestic workers. Briggs tends to agree with Fogel, and I tend to agree with Piore.

This suggests that the situation may be quite different in the Southwest than it is in the Northeast. This should not surprise us. Minority and immigrant groups tend to be distinctive in their origin, the factors leading to their migration, the opportunities which come open to them, and how the receiving communities react to them.

For these reasons, I question the universality of Piore's model which assumes that each group feeds in at the bottom and then moves upward, vacating the bottom for successive groups. It is striking, for instance, that blacks were not absorbed and advanced by the emerging American industrial system from 1870 to 1914, while European immigrants were. Similarly, Italian immigrants and their descendents have not experienced the upward mobility of, say, Jews and Orientals. I am not at all sure that blacks have substantially vacated low wage labor markets in the Northeast, although it seems clear that illegal immigrants are more eager and docile than many American blacks. Because each situation tends to be distinctive, I think it quite conceivable that the competition between illegal immigrants and citizens may be more direct in the Southwest than in the Northeast.

Perhaps because I see illegal immigration as less of a threat to domestic workers, and perhaps because of different value systems, I tend to view illegal immigration more positively than do Fogel and Briggs. Illegal aliens deserve rights and opportunities, as do citizens. Whether an activity is legal or illegal may not settle the question of its social and economic significance and utility. I think the large-scale illegal immigration has to be related to the combination of easy condemnation of unusual groups and ineffective bureaucratic and police surveillance which characterizes much of our life. The illegal immigrant and his illegal employment is part of a larger penumbra of illegal employment of citizens and newcomers who deal in stolen goods, illegal gambling, and sex; tax avoidance by domestics, casual workers and the self-employed; and under-the-table payments for bartenders, policemen, inspectors, etc. There is a large illegal economy in this country, and labor market analysts must deal with it realistically.

Our current large scale of legal and illegal immigration must also be considered in the light of the increasing integration of the United States into the international economy. Transport and information now move rapidly and cheaply, and capital, raw materials, products, and labor resources are now in international markets. With the rise of multinational corporations and international marketing systems, production tends to go where costs are lowest, all things considered. If we restrict immigration, more of the low wage jobs will go abroad, to the detriment of our local economies and domestic workers. We need a better policy than the restriction of immigration. Rather, we need to try to hold on to the jobs, accept the immigrants, and try to bring about the institutional changes which will convert the low wage jobs from the secondary to the primary labor market. As Piore puts it, we need to regulate and control a largely inevitable process.

I too am concerned that we are slipping into a practice of utilizing illegal immigrants as an underclass. This is not too different from the European pattern, where "guest workers" enter by legal permit to work in certain occupations for certain employers in certain locations. The theory is that permits can be revoked if employment declines and domestic unemployment threatens to grow. Unfortunately, the temporary workers tend to become permanent although not really a part of the host society, living in fear, social deprivation, and subjugation. I do not think the United States will or should develop the police system and bureaucracy necessary to control the illegal immigration. I fear even more the development of a new segregated population in our midst. The option of legalizing and regulating the present illegal immigration should be seriously considered.

XIII. IRRA ANNUAL REPORTS FOR 1974

IRRA EXECUTIVE BOARD SPRING MEETING
April 27, 1974 in Atlanta

The Executive Board of the Industrial Relations Research Association met from 7:30 to 9:30 a.m., Saturday, April 27, 1974. The meeting was attended by President Nathaniel Goldfinger, President-Elect and Editor Gerald Somers, Secretary-Treasurer Richard U. Miller, Board Members Malcolm Denise, Joseph P. Goldberg, and David Salmon, Local Arrangements Chairman Michael Jedel of Atlanta, and Hartford Local Arrangements Chairman David Pinsky.

The meeting was opened by President Nathaniel Goldfinger who asked the Secretary-Treasurer to provide the financial and membership reports. The Secretary-Treasurer reported that the membership of the Association was holding up in spite of the increase in dues from $10 to $15 per year. He also was optimistic on the state of the Association's finances even though the timing of large payments for publications this year, as compared with last, made it difficult to determine the extent of the budgetary improvement.

There was a discussion of a constitutional amendment which would permit an increase in dues, linked to an inflationary rise in costs, which would not require membership approval. This matter was to be discussed further at the December meeting.

The Secretary-Treasurer announced that the following members would serve on the nominating committee for candidates for the fall 1975 election: Melvin Rothbaum, Chairman, Frances Bairstow, Francis X. Burkhardt, Rudolph A. Oswald, Arthur W. Saltzman, and Walter Slater. The following program committee to advise the President was also announced: Eileen Ahern, Michael Borus, Marcia Greenbaum, James E. Jones, Jr., Archie Kleingartner, Thomas A. Kochan, Juanita Kreps, Ray Marshall, Michael J. Piore, Charles M. Rehmus and Donald Vial. The Board thanked Mike Jedel and his committee for their excellent local arrangements and for their contributions to program planning. Mr. Jedel agreed to draw up a local arrangements committee check list to assist committees arranging future programs.

President Goldfinger mentioned the accident of Board Member Philomena Mullady. She can be reached at Montgomery General Hospital, Olney, Maryland.

The Editor reported that the *Proceedings* of the New York Meeting will be ready for distribution in May. The *Proceedings* of the Atlanta Spring Meeting will be published in the *Labor Law Journal* in August and distributed to IRRA members in September. Although there have been some unforeseen delays in the preparation of chapters for the 1974 volume, with George Strauss as editorial board chairman, the full manuscript should be in the hands of the printer by the end of May, permitting distribution of the volume to members in the fall.

The Editor reported that assignments have been accepted for almost all of the chapters for the 1975 volume entitled "Collective Bargaining and Productivity." Manuscripts should be available by the end of 1974 for initial review by the editorial board. The Board members discussed outlines of prospective volumes in 1976 and 1977 submitted by Joseph P. Goldberg (Federal Policies and Worker Status Since the 1930's), Leonard Hausman (Equal Rights and Industrial Relations), and George Strauss (Devices for Industrial Accommodation). The Board accepted the Goldberg proposal for 1976 and tentatively accepted the Hausman proposal for 1977, subject to confirmation at the Executive Board's December meeting. The Editor was to consult with Joe Goldberg in appointing an editorial board for the volume on Federal Policies and Worker Status Since the 1930's.

In a lengthy discussion of local chapter-national relations, the committee appointed for this purpose* submitted the following alternatives:

1. Continue the present relationship, that is, only chapter officers have to be national IRRA members, chapters have no financial obligations to the IRRA, chapters have no representatives as such on the IRRA Executive Board, and national IRRA funds are spent on behalf of local chapters for *Newsletters,* liaison activities, chapter luncheons, etc.
2. Continue present arrangements, but cut all services and expenditures on behalf of local chapters, furthering the establishment of two separate organizational structures, the national and the local chapter network.
3. Require a flat fee payment from the chapter, based on chapter size, ranging from $25 to $100.
4. Require a per capita fee from the chapter of $1–$2 per member for those who are not national IRRA members.
5. Require a minimum percentage of local chapter members who must also be members of the national IRRA (for example from 25%–50%).
6. Require that all members of any chapter to be established in

* Nat Goldfinger, Jerry Somers, Dick Miller, Dave Johnson, Eileen Ahern, Joe Goldberg, Ed Herman, Mike Jedel, Herb Parnes, and Dave Salmon.

the *future* be members of the national IRRA. Existing chapters may fit in one of the above alternatives.

7. Require that *all* members of local chapters be members of the national IRRA. The national IRRA would refund $2 to $3 of the national dues to the chapter for each local chapter member.
8. Require that *all* members of local chapters be members of the national IRRA. No refund to be made to the local chapters.

The list stemmed from letters written by local chapter officers as well as national members in response to an earlier solicitation. Following suggestions of the ad hoc committee, the Board indicated some preference for alternative number 3. However, recognizing the importance of the decision for the future status of local chapters, the Board decided to postpone action on this question until the December Board meeting in San Francisco.

There was a brief discussion of Phyllis Wallace's written report on means for increasing the number of younger members and racial minorities in the IRRA. Further action on this issue was postponed until the December meeting.

President Goldfinger discussed his plans for the San Francisco program indicating suggestions which have been made by members of the program committee and others.

David Pinsky discussed the local arrangements for the Spring Meeting to be held at the Hotel Sonesta in Hartford, Connecticut, on May 8–10, 1975.

The meeting adjourned at 9:30 a.m.

IRRA LOCAL CHAPTER REPRESENTATIVES MEETING
December 27, 1974, San Francisco

Approximately 30 representatives of the local chapters met with officers of the national Association at 4:00 p.m. The entire meeting was devoted to a discussion of various possible procedures for improving the relationship between the local chapters and the national IRRA. The local chapter representatives approved the following resolution: the establishment of a fee to be paid by local chapters to the national IRRA, with a credit to be returned to the local chapters based on the percentage of local chapter members who were also members of the national IRRA. The fee for 1975 would be from $25 to $100, depending on the size of local chapter membership. This resolution was to be submitted to the Executive Board, and if approved by the Executive Board, was to be submitted to the IRRA membership in a referendum vote.

IRRA EXECUTIVE BOARD WINTER MEETING

December 27, 1974, San Francisco

The Executive Board met at 6:30 p.m. The meeting was attended by President Nathaniel Goldfinger, Incoming President and Editor Gerald Somers, 1975 President-Elect Irving Bernstein, Secretary-Treasurer Richard U. Miller, Board Members Eileen Ahern, Henrietta Dabney, Walter Fogel, Joseph P. Goldberg, Graeme McKechnie, Robert McKersie, Herbert Parnes, Jerome Rosow, David Salmon, Douglas Soutar, George Strauss, Donald Wasserman, Paul Yager, and Local Arrangements Committeemen Henry Patton and John Scalone. President Nat Goldfinger welcomed the new members of the Board.

Secretary-Treasurer Richard Miller reported on the annual election results as follows: Gerald Somers, President, Irving Bernstein, President-Elect, and Eileen Ahern, Henrietta Dabney, Thomas Gavett, Robert McKersie and Paul Yager, Executive Board.

The Secretary-Treasurer then spoke of the increase in annual dues from $10 to $15. He noted an improvement in the Association's financial position and an increase in membership from 1973 to 1974.

The Board approved a motion to submit to a membership referendum, a change in the Bylaws which would permit the Executive Board to increase dues as required without submitting any specific proposed dues increase to the membership for referendum approval. The Board also approved a motion to submit to a referendum of the membership, a change in the Bylaws which would preclude any new Life memberships after January 1, 1975.

The Board approved the payment of its dues to the Society of Professionals in Dispute Resolution (SPIDR) for one more year only.

The Board approved a motion for submission to a referendum of the membership, a change in the Bylaws which would establish a fee to be paid by local chapters to the national IRRA, with a credit to be returned to the local chapters based on the percentage of local chapter members who were also members of the national IRRA. If approved by the membership, the fee for 1975 would be from $25 to $100, depending on the size of local chapter membership. These amounts would be subject to change at the discretion of the national Executive Board in the light of inflationary developments.

In connection with this resolution, a committee of the three immediate past presidents of the Association was to serve as a standing committee to improve National-Chapter relations by broadening the responsibilities of the national officers and Board members in maintaining contacts with local chapters, through talks at local meetings,

etc. Applications for affiliation were approved for the Central Pennsylvania Chapter and the Central New Jersey and Lower Bucks County of Pennsylvania Chapter.

Editor Gerald Somers reported that the IRRA research volume for 1975, COLLECTIVE BARGAINING AND PRODUCTIVITY, was progressing satisfactorily with manuscripts to be received by January 1975. The volume for 1976 is to be entitled, FEDERAL POLICY AND WORKER STATUS SINCE THE THIRTIES. The editorial board, consisting of Joseph Goldberg (Chairman), Eileen Ahern, William Haber and Rudy Oswald, will select authors within the next few months. The Board also approved the volume for 1977, to be entitled, EQUAL RIGHTS AND INDUSTRIAL RELATIONS. The chairman of the editorial board is to be Leonard Hausman. Other members of the editorial board will be selected in the next few weeks by officers of the Association in conjunction with Mr. Hausman, and the editors will then revise the tentative outline of the chapters of the volume and select authors.

The Board approved the selection of James Stern and Barbara Dennis to serve as Editors of the Association in 1975. There was a vote of thanks to Gerald Somers who had served with distinction as Editor since 1957. In recognition of his devoted service to IRRA the Board voted to appoint him to a life membership.

In discussing the report of Phyllis Wallace on efforts to increase membership among women, minorities and young people, it is recognized that some improvements had been made along this line in representation among program participants. Further effort would be made to expand representation among women, minorities and young people in future programs, in the membership of the Executive Board and in the Association as a whole.

The Board discussed the four invitations from local chapters for sponsorship of the Spring Meeting in 1976. The invitation of the Rocky Mountain Chapter was accepted for a meeting in Denver.

Gerald Somers submitted an outline of the proposed topics to be covered in the Spring Meeting in Hartford in May 1975. He also distributed a tentative list of suggestions of topics for the Dallas meeting in December 1975. Members of the Board were urged to send their comments and suggestions for participants in both programs.

Melvin Rothbaum presented the report of the Nominations Committee for candidates in the election of officers for 1976. The slate of nominees was approved.

The Board authorized exploring an arrangement with the Agency

for International Development which would provide travel funds for a number of persons from developing countries to attend IRRA meetings.

The meeting was adjourned at 10:00 p.m.

IRRA GENERAL MEMBERSHIP MEETING
December 28, 1974, San Francisco

The membership meeting was called to order at 5:00 p.m. on December 28, 1974, by Nathaniel Goldfinger. Mr. Goldfinger reported on the unanimous resolution of a meeting of local chapter officers and of the IRRA Executive Board to submit the following proposed change in the Bylaws to a referendum vote of the IRRA membership: the establishment of a fee to be paid by local chapters to the national IRRA, with a credit to be returned to local chapters based on the percentage of local chapter members who were also members of the national IRRA. If approved by the membership, the fee for 1975 would be from $25 to $100, depending on the size of local chapter membership. These amounts would be subject to change at the discretion of the national Executive Board in the light of inflationary developments. He indicated that the membership would also be asked to vote in a referendum on the Executive Board's proposal that the Board be empowered to increase annual dues without referendum approval for each specific dues increase.

The Secretary-Treasurer noted an improvement in the Association's financial position and an increase in membership from 1973 to 1974. Mr. Miller also indicated the Executive Board's approval of charters for the Central Pennsylvania Chapter and for the Central New Jersey and Lower Bucks County of Pennsylvania Chapter. He indicated that the Board accepted the invitation of the Rocky Mountain Chapter for a meeting in Denver in the spring of 1976.

The Editor reported on the status of the Association's annual research volumes for 1975, 1976 and 1977; and he urged members to send suggestions to the IRRA headquarters for chapter titles and authors.

Gerald Somers indicated the theme and some of the topics tentatively scheduled for the spring meeting in Hartford, Connecticut, in May 1975, and he discussed initial plans for the meeting in Dallas. Among the plans for Dallas were two sessions of contributed papers, one of which would be devoted to the area of organizational behavior and personnel. He urged members to send along comments and suggestions for both programs.

Discussion by the members focussed on the relationship between the local chapters and the national IRRA. Mr. Goldfinger noted that the Executive Board had established a standing committee of the three immediate past presidents of the Association to formulate policies for increased cooperation and interaction between local chapters and the national IRRA. Measures for increasing the participation of younger people in the Association's meetings were discussed, including the possibility of enlarging the number of sessions and papers, with printing costs to be covered by higher registration fees. Ms. Ann Shafer of the Southwestern Michigan Chapter raised the question of procedures for encouraging participation of union representatives in local chapter meetings.

Mr. Goldfinger reported that the Editors of the Association for 1975 would be James Stern and Barbara Dennis of the University of Wisconsin. There was a unanimous vote of thanks to Gerald Somers for his 17 years of distinguished service and enduring contributions as Editor of the IRRA.

IRRA AUDIT REPORT

EXECUTIVE BOARD, Industrial Relations Research Association:

We have examined the statements of case receipts and disbursements, and cash and investments of the Industrial Relations Research Association for the years ended November 30, 1974 and 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the recorded receipts and disbursements and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying statements referred to above present fairly the recorded cash transactions of the Industrial Relations Research Association for the years ended November 30, 1974 and 1973, and the cash and investments at the beginning and end of the year.

January 3, 1975
Madison, Wisconsin

SMITH & GESTELAND
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION, Madison, Wisconsin
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended November 30, 1974 and 1973

	1974	1973	Increase (Decrease)
Cash and investments–December 1	$ 8,363.79	$12,629.12	$(4,265.33)
Cash receipts			
Membership dues	$43,881.50	$36,078.00	$ 7,803.50
Subscriptions	7,279.50	3,665.00	3,614.50
Sales	5,970.48	4,866.76	1,103.72
Royalties	703.75	601.27	102.48
Mailing list	2,819.35	758.00	2,061.35
Travel, conferences and meetings	4,134.47	5,792.36	(1,657.89)
Interest income	404.68	627.36	(222.68)
Gain on sale of securities	336.12	542.77	(206.65)
Miscellaneous	103.00	73.90	29.10
Total cash receipts	$65.632.85	$53.005.42	$12,627.43
Cash disbursements			
Salaries and payroll taxes	$14,250.13	$14,829.11	$ (578.98)
Retirement plan	2,066.24	1,779.47	286.77
Postage	1,666.00	2,152.42	(486.42)
Services and supplies	3,574.34	3,890.92	(316.58)
Publications and printing	32,370.27	26,952.86	5,417.41
I.R.R.A. conferences and meetings	3,898.19	7,119.59	(3,221.40)
Telephone and telegraph	430.97	221.05	209.92
Miscellaneous	331.88	325.33	6.55
Total cash disbursements	$58,588.02	$57,270.75	$ 1,317.27
Excess of receipts over (disbursements)	$ 7,044.83	$(4,265.33)	$11,310.16
Cash and investments–November 30	$15,408.62	$ 8,363.79	$ 7,044.83

STATEMENT OF CASH AND INVESTMENTS, November 30, 1974 and 1973

Cash			1974	1973
Checking account–First Wisconsin National Bank of Madison			$10,700.57	$ 1,135.93
Savings account–First Wisconsin National Bank of Madison			38.88	37.18
Golden Passbook–First Wisconsin National Bank of Madison			774.67	632.30
	Corporate Bonds (at cost)	Bond Number		
$3,000	United Gas Pipeline Co. 5%–3/1/78 (market value 11/30/74–$2,509– 11/30/73–$2,603)	B 218	$ 2,419.62	$ 2,419.62
3,000	American Telegraph & Telegraph 3-3/8%–12/1/73 (market value 11/30/73–$3,000)	119-898/900		2,663.88
2,000	Commonwealth Edison 3% 2/77 (market value 11/30/74–$1,760– 11/30/73–$1,723)		1,474.88	1,474.88
	Total Cash and Investments		$15,408.62	$ 8,363.79

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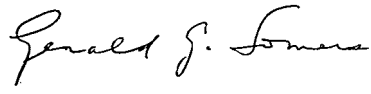

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