

**INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION SERIES**

**Proceedings of the Twenty-Ninth
Annual Winter Meeting**

**SEPTEMBER 16-18, 1976
ATLANTIC CITY**

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Edited by James L. Stern and Barbara D. Dennis

PROCEEDINGS OF THE TWENTY-NINTH ANNUAL WINTER MEETING.
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PREFACE

The holding of workshops, an innovation in the spring of '75, was continued at the Twenty-Ninth Annual Meeting in Atlantic City. The workshops were arranged by Donald F. Vosburgh, past-president of the Central New Jersey Chapter in cooperation with other local IRRA chapters. The meetings were well attended and the idea of such workshops was well received by our membership. It is anticipated that similar workshops will be held at future meetings. It should be noted that these are informal sessions and that the discussions are not included in these *Proceedings*.

The formal proceedings ran the usual wide gamut from agricultural bargaining to workers' compensation. Other topics included Canadian Nationalism and U.S. Unions, Solvency of Social Security, Management by Objectives and Industrial Relations, Evaluation of the Inter-University Study of Human Resources in National Development, Race Differentials in the Female Work Force, Collective Bargaining Systems, and Industrial Conflict Resolution.

The Presidential address of Irving Bernstein was titled "Time and Work." In addition, there were two sessions of contributed papers, one on arbitration and the other on a variety of topics.

The Association is grateful to Irv Bernstein for arranging the program. He was not responsible for the physical arrangements at this past annual meeting and shares with the other officers of the IRRA the hope that the environment will be more pleasant at future meetings.

The Association is also grateful to the authors of papers and the discussants for their cooperation in preparing their manuscripts for publication. As in so many past years, Betty Gulesserian's help with the arrangements, the planning of the program, and the preparations of the *Proceedings* was invaluable.

JAMES L. STERN
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Madison, Wisconsin

You are invited to be a member of

THE INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

The Industrial Relations Research Association was founded in 1947 by a group who felt that the growing field of industrial relations required an association in which professionally minded people from different organizations could meet. It was intended to enable all who were professionally interested in industrial relations to become better acquainted and to keep up to date with the practices and ideas at work in the field. To our knowledge there is no other organization which affords the multi-party exchange of ideas we have experienced over the years—a unique and invaluable forum. The word “Research” in the name reflects the conviction of the founders that the encouragement, reporting and critical discussion of research is essential if our professional field is to advance.

In our membership of 4,000 you will find representatives of management, unions, government; practitioners in consulting, arbitration and law; and scholars and teachers representing many disciplines in colleges and universities in the United States and Canada, as well as abroad. Among the disciplines represented in this Association are administrative sciences, anthropology, economics, history, law, political science, psychology and sociology as well as industrial relations. Membership is open to all who are professionally interested and active in the broad field of industrial relations. Libraries and institutions who are interested in the publications of the Association are also invited to become members, and therefore subscribers to the publications.

Membership dues cover publications for the calendar year, January 1 through December 31, and entitle members to the *Proceedings of the Annual Winter Meeting*, *Proceedings of the Annual Spring Meeting*, a special research volume (*Membership Directory Handbook* every six years), and quarterly issues of the *Newsletter*. Dues for membership on standing order are:

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Sincerely yours,

Ray Marshall

IRRA President 1977

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PRESIDENTIAL ADDRESS

Time and Work

IRVING BERNSTEIN

University of California, Los Angeles

Last summer I visited the Museum for the History of Science at Leiden in the Netherlands. The purpose was to observe the models of those inventions which I consider to have been most decisive in shaping modern societies—that is, the first precise timepieces.

Primitive man must have had some notion of the calendar because he experienced the cycles of the seasons and of day and night, and he could readily make simple astronomical observations with the naked eye. The motions of the sun permit two basic determinations: the day (actually the rotation of the earth on its axis) and the year (the orbit of the earth around the sun in 365 days, 5 hours, 48 minutes, and 46 seconds). The cycle of the moon's phases, about 29.5 days, is the basis for the month. The Chaldeans, evidently, devised the first systematic calendar about three millenia before Christ. As Genesis tells us, the ancient Hebrews had the week, which is not astronomically derived but is a convenient way of dividing months and years approximately.

The fundamental unresolved problem was to contrive an instrument to measure fractions of the day. For almost 2000 years, through much of Antiquity and the Middle Ages, inventors created devices to perform this function. Many were ingenious and some were beautiful. But all were inaccurate.

The sundial, which casts a shadow on a marked scale, is imprecise and is useless at night, in cloudy weather, and indoors. The clepsydra, which permits water to drip at a predetermined rate, is not accurate. The hourglass, which uses sand similarly, suffers the same defect. The burning of candles and knotted ropes is highly imprecise. The astrolabe consisted of a series of rings containing astronomical information which, when rotated, made several computations, including telling local time. But it was not accurate and needed a visible sun or star with

which to work. Late medieval mechanical clocks, which announced the time by striking bells or by an hour hand, were imprecise.¹

The breakthrough came in the Seventeenth Century. This was the age of flowering of European science, of Galileo, Newton, Descartes, Kepler, Leibnitz, and of Christiaan Huygens. As a mathematician and physicist, Huygens ranked with these luminaries. And with the genius of the Dutch for joining flights of the imagination to the workaday problems of the world, Huygens put his powerful intellect to the designing of lenses and, more important in this context, of timepieces. While several others made significant contributions, there is no doubt that Huygens did the decisive work. He contrived the first accurate pendulum clocks, which were built to his specifications by Salomon Coster of The Hague in 1657-59. Huygens published the classic study of time-keeping, *Horologium Oscillatorium*, in Paris in 1673. He designed the spiral balance-spring for the movement of the watch in 1675. Huygens, that is, made the basic inventions for both forms of accurate mechanical timepieces, the clock and the watch. As a result, Europeans by the end of the Seventeenth Century were able to break the day into precise fractions. Until very recently all timepieces were mechanical and they remain the most important even now. Thus, for three centuries mankind has depended upon the work of Christiaan Huygens in measuring short intervals of time accurately.²

The significance of these inventions cannot be overestimated. Lewis Mumford has written,

The clock was the most influential of machines, mechanically as well as socially; and by the middle of the eighteenth century it had become the most perfect. . . .

The modern industrial regime could do without coal and iron and steam easier than it could do without the clock. . . . The clock, not the steam-engine, is the key machine of the modern industrial age. . . .

The first characteristic of modern machine civilization is its temporal regularity. From the moment of waking, the rhythm of the day is punctuated by the clock. . . . It presides over the day from the hour of rising to the hour of rest. When one thinks of the day as an abstract span of time, one does not

¹ J. R. McCarthy, *A Matter of Time* (New York: Harper, 1947); Eric Burton, *Clocks and Watches, 1400-1900* (London: Barker, 1967); J. D. North "The Astrolabe." *Scientific American* (January 1974), pp. 96-106; H. Alan Lloyd, "Mechanical Timekeepers," in *A History of Technology* (New York: Oxford University Press, 1957), vol. 3, pp. 648-75; Samuel Guye and Henri Michel, *Time & Space, Measuring Instruments from the 15th to the 19th Century* (New York: Praeger, 1971).

² A. E. Bell, *Christiaan Huygens* (New York: Longmans Green, 1947); Guye and Michel, pp. 98-106.

go to bed with the chickens on a winter's night; one invents wicks, chimneys, lamps, gaslights, electric lamps, so as to use all the hours belonging to the day. When one thinks of time, not as a sequence of experiences, but as a collection of hours, minutes and seconds, the habits of adding time and saving time come into existence. Time took on the character of an enclosed space: it could be divided, it could be filled up, it could even be expanded by the invention of labor-saving instruments. . . .

Masters of regimentation gained full ascendancy in the seventeenth century. The new bourgeoisie, in counting house and shop, reduced life to a careful, uninterrupted routine: so long for business: so long for dinner: so long for pleasure—all carefully measured out, as methodical as the sexual intercourse of Tristram Shandy's father, which coincided, symbolically, with the monthly winding of the clock. Timed payments: timed contracts: timed work: timed meals: from this period on nothing was quite free from the stamp of the calendar or the clock.³

The inventions of Huygens were the preconditions of the Industrial Revolution, which started in Britain in the latter part of the Eighteenth Century. Together they completely transformed the nature of work.

From the Olduvai Gorge to the spinning jenny, in both primitive and preindustrial societies, man's work was task-oriented. He picked nuts and berries until a sufficient number had been gathered for the meal; he hunted until the kill was made; he tended the cows until the milking was done; he worked from dawn to dusk during the harvest and hardly at all in the winter; and so on. He often measured time by the task. E. P. Thompson has collected examples, including the following: for the Nuer the parts of the day were defined by their pastoral duties to their cattle; in Madagascar an interval was measured by the time it took to cook rice; in medieval England some counted time by the "pissing while"; in seventeenth-century Chile an egg was cooked for as long as it took to say the Ave Maria aloud.⁴

In the last two centuries, at first in Europe and by now in much of the rest of the world, work has become time-oriented. It has been divorced from the task. For those who are employed the amount of work to be performed is endless. The worker, as the saying goes, is "on the clock." He starts at a fixed time; he takes his breaks at predetermined intervals; and he stops when the whistle blows. Time is traded for

³ Lewis Mumford, *Technics and Civilization* (New York: Harcourt, Brace & World, 1934), pp. 14, 17-18, 42, 134, 269.

⁴ E. P. Thompson, "Time, Work-Discipline and Industrial Capitalism," *Past & Present*, vol. 38 (1967), p. 58.

money. He is paid by the hour, the week, the month, or the year. The employer, bargaining-power permitting, seeks to limit wages and salaries only to time actually worked.

Virtually every element in the employment relationship has a time dimension. This is readily ascertained by examining a typical collective bargaining agreement. There is a time factor in the provisions, among others, dealing with hours of work and overtime, wage rates, seniority, promotions, transfers, layoffs, recalls, leaves of absence, sick leave, pregnancy leave, shift premiums, progressions in job families, cost-of-living escalators, health and welfare benefits, old-age pensions, severance pay, holidays, vacations, the grievance procedure, the duration of the agreement. The ultimate in time management is the airline. A pilots' agreement is literally a book, much of it devoted to the regulation of time. In one that I have, the hours-of-service provision runs 35 pages and an appendix and the scheduling manual takes up 22 pages.

While there is much controversy, some of it metaphysical, over how long professors work, there is agreement that the time they spend in class, so-called "contact" hours, is hours worked. I can imagine no more dismal job than that of class scheduler at the University of California, which works under an idiotic arrangement called the quarter system. This unfortunate individual must arrange classes that meet four times a week for one hour, those that occur thrice for an hour and one-third, those that take place twice for two hours, and those that meet once weekly for three hours. He must put them in rooms of appropriate size. Some professors are economists, with and without computer, and their competence to predict their sex appeal with students does not exceed their ability to forecast economic fluctuations. The class scheduler is a sure loser.

With the conversion of work from task to time orientation, employers sought to tame workers to the discipline of the clock and the calendar. While the effort was substantially successful in what we now call the developed nations, the resistance was and remains strong and continuous. It took many forms. Here I shall note only one. This was, as Thompson has pointed out, the extended weekend created by ostensibly celebrating a saint's day on Monday and sometimes on Tuesday as well. In England, a Protestant country, this Catholic tradition had no religious significance. While some sober citizens employed Saint Monday for marketing and personal business, most consumed it in timpling.⁵ The pleasure of drink snatched time from the pain of work. In this context one must cite Octavio Paz on the significance of the Mexican fiesta:

⁵Thompson, pp. 72-76.

Our calendar is crowded with fiestas. There are certain days when the whole country, from the most remote villages to the largest cities, prays, shouts, feasts, gets drunk and kills, in honor of the Virgin of Guadalupe or Benito Juarez. . . . But the fiestas which the Church and State provide for the country as a whole are not enough. The life of every city and village is ruled by a patron saint whose blessing is celebrated with devout regularity. Neighborhoods and trades also have their annual fiestas, their ceremonies and fairs. And each of us—atheist, Catholic, or merely indifferent—has his own saint's day, which he observes every year. . . .

Time comes to a full stop, and instead of pushing us toward a deceptive tomorrow that is always beyond our reach, offers us a complete and perfect today of dancing and revelry, of communion with the most ancient and secret Mexico. Time is no longer succession, and becomes what it originally was and is: the present, in which past and future are reconciled.⁶

In the less advanced nations, particularly those with deeply rooted cultures that are indifferent to the Western concept of time, worker hostility to regularity is a fundamental impediment to economic development.

Modern man is caught in a trap. If he wants to enjoy the fruits of advanced technology, he must subjugate himself to the clock and calendar, for industry can be run in no other way. If he wants his personal freedom and identity, he invites the grinding poverty that has been the fate of humanity over most of its history. Hans Meyerhoff has posed this dilemma very well:

The Scientific Revolution and the Industrial Revolution, or, put another way, Christiaan Huygens and James Watt, joined to transform both the material world and the concept of time. The latter became "an indispensable instrument for the production of goods in an ever expanding market. Thus time itself came to be looked upon as a precious commodity, because it alone made possible the production of all other commodities."

But "technology has shortened time and expanded space." It has "foreshortened man's own perspective of time and, by enlarging his mastery over *physical space*, has also confined him increasingly to the *mental* and *emotional space* of the momentary present devoid of continuity and significant relations with past and future." So the individual is placed in "an anonymous, impersonal social setting, apparently

⁶ Octavio Paz, *The Labyrinth of Solitude* (New York: Grove, 1961), pp. 47-48.

not belonging anywhere or related to anything or anybody in the world. He is a complete stranger, the literary version of the 'displaced person,' without a past and generally without a future."⁷

There is no clear answer to this dilemma. While lucky individuals may enjoy both a high material standard of living and freedom from work under the lash of the clock, societies do not have that choice. They can have one *or* the other. And they have voted—unanimously. The entire world, both the developed and underdeveloped sectors, has opted for the material benefits of high technology. The price must be worklives regulated by calendar and clock.

Thus, the practical question is not how time-oriented work may be eliminated, but, rather, how it may be mitigated. This question, which I consider in importance in the labor market as second only to that of creating work itself, has only recently begun to be asked and, then, more in Europe than in America. So far shapes have emerged only dimly. It seems to me that they are taking three forms.

The first is flextime, or, as the Germans, who invented the recent version, call it, "gleitzeit" (gliding time). Here the worker has a generalized time obligation to his employer but is afforded discretion in determining his own working hours. Many persons, particularly professionals and managers, have traditionally worked informally under such arrangements, and for them time autonomy has become a treasured right. The significant new development has been the extension of formal systems to workers who have historically been on fixed daily and weekly schedules. The aerospace firm, Messerschmitt-Bölkow-Blohm, introduced the first system in 1967 for its clerical and research employees near Munich. It has since spread quite rapidly in Switzerland, Germany, and Austria and more slowly in the Low Countries, France, the United Kingdom, and the United States.

The workday typically is divided into three segments. Bandwidth is the time zone within which the operation is open for business and the worker is permitted to be on the job, for example, 7:30 a.m. to 6:30 p.m. Core time consists of two periods in mid-day in which the employee must work, say 9:30 to 11:30 a.m. and 2:00 to 3:30 p.m. This leaves three flextime zones in which he may work in this illustration: 7:30 to 9:30 a.m., 11:30 a.m. to 2:00 p. m. (excluding lunch), and 3:30 to 6:30 p.m.

The time duty of the employee may be arranged in various ways. The least flexible is to require eight hours of work daily. A looser system is to impose a 40-hour week and allow the worker to fix his own daily hours. The most flexible plan is to establish an average of 40 hours

⁷ Hans Meyerhoff, *Time in Literature* (Berkeley: University of California Press, 1955), pp. 106-11.

weekly over a longer period, usually a month, permitting the employee to determine his own daily and weekly hours. Special time clocks are now available which perform both the usual function of recording daily work time and the new function of computing the hours "bank balance" so that both the worker and the employer can learn quickly where the former stands.

According to the available literature, flextime is popular with workers. They value time autonomy; they avoid commuting at rush hours; they suffer less stress; and they can get to the doctor, the dentist, the market, or the bank more readily. The employer reaction, though more mixed, is also favorable. Morale and productivity improve, while absenteeism, tardiness, and sick-time decline. There are disadvantages—added costs for timekeeping and overhead and complications in supervising employees on variable schedules. There are civic gains—a reduction in rush-hour traffic congestion and, for establishments that meet the public, longer open hours.

Flexitime is differentially adaptable. There seem to be three basic constraints: a high and expensive technology which the employer is eager to run around the clock; a time value that attaches to the product or service; and shift work. Thus, the system has been most widely accepted in office, clerical, research, and trade operations. It is seen less often in factories, mines, and transportation, where the impediments are encountered. One may, of course, shut down big machines, put airplanes on variable schedules, and abolish swing and graveyard shifts, but we are not yet ready for such radical changes.⁸

The second idea is to alter the worker's standard week of five eight-hour days. Two main variations have emerged: a workweek of four ten-hour days and two workers sharing a conventionally scheduled job of five eight-hour days.

The former, of course, is a revival of the old English custom of Saint Monday, though "Monday" may fall on any day of the week. Its attraction to some workers is the same—a three-day weekend. A fair number of firms in a variety of industries have experimented with it, and there seems to be no pattern to their motivation. The probability is that this scheme is of limited viability because there are a number of serious disadvantages. The ten-hour day is fatiguing and may be damaging to health. The labor movement, having devoted a century to winning the eight-hour day, is hardly likely to sit by as two hours are

⁸The literature on flexitime is thin. Among the more useful works are Michael Wade, *Flexible Working Hours in Practice* (Epping, Essex: Gower, 1973); Stephan J. Baum and W. McEwan Young, *A Practical Guide to Flexible Working Hours* (Park Ridge, N.J.: Noyes Data, 1974); *Changing Patterns of Work in America*, Hearings before the Subcommittee on Employment, Poverty, and Migratory Labor, 94th Cong., 2d sess., April 7–8, 1976; Barry Stein, Allan Cohen, and Herman Gadon, "Flex-time, Work When You Want To," *Psychology Today* (June 1976), pp. 42–43, 80.

lost. There are difficult legal problems where statutes, both federal and state, establish eight-hour norms.⁹

Work sharing has surfaced very recently, particularly in experiments in the San Francisco Bay area and in Wisconsin. Here two workers with comparable skills are hired to fill one job for 40 hours a week. The daily scheduling can take a variety of forms. The attraction is to persons who do not want to work full time. The main interest thus far has been evinced by women with family obligations, but it could also be of value to students, the handicapped, and older workers, including the retired. The information is so scant that no judgment on the scheme is presently possible.¹⁰

The third concept is simply to reduce the number of hours worked daily and weekly. Since the Fair Labor Standards Act took effect, the United States, with a few exceptions, has been locked into the eight and forty system. We have cut the workyear with vacations, holidays, and various forms of leave, but we have not much tampered with daily and weekly schedules. The trade unions, particularly when unemployment rises, urge us to do so. The theme of this paper, loosening the bind of clock and calendar, adds support to their view. But there is at present an insurmountable hurdle: shorter hours would attract to the labor market those very groups that presently suffer higher than average unemployment rates—young people and women. The solution to this problem, like so many others, is hinged upon an effective full-employment policy.

From the standpoint of improving the quality of working life, nothing could be healthier than these exercises in manipulating working hours. The United States, with its highly decentralized systems of industrial relations and collective bargaining, is an excellent setting for this experimentation. The writing done thus far in this area is superficial and hortatory. We need to monitor and evaluate these experiments carefully. Many members of this Association, with their research skills and resources, could markedly improve the performance of these functions.

Time is measured arithmetically. The calendar consists of boxes of numbers and the hands of the clock tick off numbers. Arithmetic makes them readily manipulable. There are many more ways of handling them than those I have summarized. We need to go to work on those numbers. I suspect that Christiaan Huygens, who was a mathematician first and a clockmaker second, would approve.

⁹ Riva Poor, ed., *4 Days, 40 Hours, Reporting a Revolution in Work and Leisure* (Cambridge: Bursk and Poor, 1970).

¹⁰ *Changing Patterns of Work in America*, pp. 313 ff.

I. MANAGEMENT-BY-OBJECTIVES AND INDUSTRIAL RELATIONS

A Perspective on Management-by-Objectives for the Industrial Relations Scholar and Specialist

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It is strange that the Industrial Relations Research Association has never devoted a convention session to Management-by-Objectives (MBO) inasmuch as the latter has taken widespread hold in private and public sector management throughout North America and Western Europe. The papers presented in this meeting represent a diversity of views, research results, and experiences with MBO. They speak for themselves but require a brief preface explaining what MBO is so that we can start with a common concept and relieve each author of the need to define the notion of MBO before proceeding with his own work.

MBO originated in the writing of Harold Smiddy, Edward Schleh, and Peter Drucker, although the latter is ordinarily regarded as crystalizer of the concept, as expressed in a famous chapter ("Management by Objectives and Self Control") in his most famous book *The Practice of Management*.¹ Somewhere along the line the "self-control" aspect of management-by-objectives was lost in the labelling, perhaps at the time the abbreviation MBO became popular in the works of such developers of MBO "technology" as Odiorne,² McGregor,³ and others.⁴ Today MBO is also known as goal-setting, work-planning and review (WPR), goals and controls (GAC), performance-planning for results, as well as by other terms.⁵ The amount of literature on the subject is increasing rapidly and has theoretical, practical, and narrowly technical foci.

¹ Peter F. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1974), pp. 231-45, 430-42. See also John J. Tarrant, *Drucker: The Man Who Invented Corporate Society* (Cambridge: Cahners, 1976), pp. 77-84.

² George S. Odiorne, *Management by Objectives* (New York: Pitman, 1965).

³ Douglas McGregor, "An Uneasy Look at Performance Appraisal," *Harvard Business Review*, vol. 35 (May-June 1957), pp. 89-94.

⁴ For example, Charles L. Hughes, *Goal-Setting: Key to Individual and Organizational Effectiveness* (New York: AMACOM, 1963); Stephen J. Carroll, Jr., and Henry L. Tosi, Jr., *Management by Objectives* (New York: Macmillan, 1973).

⁵ Anthony P. Raia, *Managing by Objectives* (Glenview, Ill.: Scott, Foresman, 1974), pp. 11-12.

MBO is conceptually related to such popular ideas in the traditional industrial relations literature as employee participation and involvement in structuring the work itself, negotiatory problem-solving and shared decision-making, employee commitment to productive results, and other ideas that signify movement from unilateral command-obedience models of management to bilateral employee-involving and/or team approaches to work.⁶ Importantly, MBO is usually discussed in the literature in reference to the conduct of managerial, professional, and technical jobs and less often in regard to nonexempt clerical, office, production, and maintenance jobs. Hence, MBO is often thought of as a management concept; yet goal-setting is applicable to employees at all organizational levels and has even been tried among production employees in General Motors plants as a part of GM's efforts since the advent of the Lordstown era to humanize work.⁷ In some ways, job enrichment for hourly employees may be regarded as the counterpart to MBO for exempt salaried employees, although it may also be viewed as conceptually distinct.⁸

The Federal Mediation and Conciliation Service has developed an approach to conflict resolution which it calls "relations by objectives." Odiorne has carried the concept into such hitherto virgin territory as "discipline by objectives," "selection by objectives," "training by objectives," and "personnel management by objectives."⁹ All of these applications, including such other notions as "compensation by objectives"¹⁰ and "benefit planning by objectives"¹¹ have a common origin in the goal-setting idea and in the fundamental logic of planning as determined by purpose rather than managing as dictated by the most pressing crises of the moment. To some extent MBO seems to be supplanting

⁶ MBO is also connected with OD (organizational development). See, for example, Wendell L. French and Robert W. Hollmann, "Management by Objectives: The Team Approach," *California Management Review*, vol. 17 (Spring 1975), pp. 13-22; and Arthur C. Beck, Jr., and Ellis D. Hillmar, *Making MBO/R Work* (Reading, Mass.: Addison-Wesley, 1976).

⁷ See "GM Zeroes in on Employee Discontent," *Business Week*, No. 2279, May 12, 1973, pp. 140-48, and the film "Win-Win," published by GM in 1973.

⁸ Ernest Dale, *Organization* (New York: American Management Association, 1967), p. 133.

⁹ See George S. Odiorne, "Discipline by Objectives," *Management of Personnel Quarterly*, vol. 10 (Summer 1971), pp. 13-20; Odiorne and Edwin L. Miller, "Selection by Objectives: A New Approach to Managerial Selection," *Management of Personnel Quarterly*, vol. 5 (Fall 1966), pp. 2-10; and Odiorne's books, *Training by Objectives: An Economic Approach to Management Training* (New York: Macmillan, 1970), and *Personnel Management by Objectives* (Homewood, Ill.: Richard D. Irwin, 1971).

¹⁰ Dale E. Melin, "Compensation by Objectives," *Management by Objectives*, vol. 5 (January 1976), pp. 26-30.

¹¹ Coleman S. Ives, "Benefits and Services—Private," in Dale Yoder and Herbert G. Heneman, Jr., *Motivation and Commitment*, ASPA Handbook of Personnel and Industrial Relations, Vol. II (Washington: Bureau of National Affairs, 1975), pp. 6-188-6-193.

PPBS (program planning budgeting systems) in the management of the federal government¹² and may become a fad with the life expectancy of any ephemeral innovation in the administration of large-scale organizations. However, I think it has staying power and is not a fad.

MBO, therefore, may be defined as both a philosophy and a process. According to Drucker, management must, at the outset, balance a variety of needs and goals in every area of a corporation or agency where performance and results directly and vitally affect the survival and prosperity of the organization. Thus, the first requirement in the task of managing is the aforementioned "management-by-objectives and self-control," a process requiring that each manager establish the goals for his organizational component. The objectives are established in terms of their contribution to the goal attainment or mission of the larger organization and have the approval of higher management. Each manager also makes input into the development of the objectives of the higher unit so that his own goals link consistently with those higher-level objectives.¹³

Participation in the goal-setting process makes it possible for the manager not only to control his own performance but also to know for sure he is carrying out work that is wanted and of high priority. To attain this certainty the manager must have, in addition, qualitative and quantitative measures that index goal accomplishments or goal shortfalls. Self-control tied to clear objectives presumably causes greater motivation for performance, increased individual commitment to the goals themselves, and effective and efficient management.¹⁴

MBO has been evolving through different stages in recent years, and the research studies which are reported in the papers of this IRRA session reflect experiences in organizations at different stages of MBO evolution. Initially, almost the complete emphasis in MBO installation was on improving the performance of the individual manager by providing him or her with goals toward which to strive and by which the results attained would be measured. At this stage MBO was regarded essentially as a superior yardstick in performance appraisal contrasted with graphic rating scales, man-to-man totem-pole rankings, the forced-choice method, or critical incidents. The next evolution in MBO was to place emphasis on MBO as a system of management for the total organization in the short run with the goal being overall organizational effectiveness. At this stage MBO devotees were arguing that MBO is management; without an MBO system operating there could not be a

¹²Rodney H. Brady, "MBO Goes to Work in the Public Sector," *Harvard Business Review*, vol. 51 (March-April 1972), pp. 65-74.

¹³Peter F. Drucker, *The Practice of Management* (New York: Harper, 1954), pp. 121-36.

¹⁴Raia, pp. 12-13.

functional entity worthy of being called management but instead mere day-to-day firefighting and the exercise of administrative expediency in running companies and agencies. The last—and present stage of evolution in MBO—emphasizes the long-run future of the work organization and the balancing and directing of the results of individual managers to achieve organizational priorities.¹⁵ Thus the Conference Board has shown quite clearly that today MBO can most fruitfully be viewed as an overall system of management into which individual managerial performance review can be built, if desired.¹⁶ Also, MBO has great potential for implementation of the long-sought goal in industrial relations of employee/organizational goal integration.

MBO has not been without its critics, and some of its delivery failures are reflected in the papers which follow. Kleber has crisply discussed at least 40 commonly found problems in MBO goal-setting.¹⁷ Shuster and Kindall have shown that in the Fortune 500 companies MBO has had a substantial record of failure and only a small success rate.¹⁸ Nevertheless, many management and industrial relations scholars see great promise for the humanization of work in MBO as well as important benefits for improved management. I hope that in the years ahead the IRRA will continue to provide a forum for reporting research and theory in MBO so that we can assess the value of the MBO concept, process, and evolving technology in the field.

¹⁵ Dale D. McConkey, *MBO for Nonprofit Organizations* (New York: AMACOM, 1975), pp. 18–19.

¹⁶ National Industrial Conference Board, *Managing by-and-with Objectives*, Studies in Personnel Policy No. 212 (New York: NICB, 1968), pp. 1–20.

¹⁷ Thomas P. Kleber, "Forty Common Goal-Setting Errors," *Human Resource Management*, vol. 11 (Fall 1972), pp. 10–13.

¹⁸ Fred E. Shuster and Alva F. Kindall, "Management by Objectives: Where We Stand—A Survey of the Fortune 500," *Human Resource Management*, vol. 13 (Spring 1974), pp. 8–11.

MBO in a Bank and a Railroad Company: Two Field Experiments Focusing on Performance Measures

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Management-by-Objectives (MBO) is not only one of the most widely practiced approaches to the art of management, but it is also a subject about which a great deal has been written in textbooks and in journals spanning the entire gamut from trade journals such as *Air Conditioning, Heat and Refrigeration* [9]; professional journals such as *Harvard Business Review* (Levinson [7]); to academic ones such as *Administrative Science Quarterly* (Ivancevich [5, 6]). MBO has achieved increasing acceptance not only in industrial organizations, but also in medical institutions (Sloan and Schrieber [13]), school systems (Arnold [1]), and government agencies (Gibson, Ivancevich, and Donnelly [4]). MBO is not restricted to the United States, but appears to be just as popular in England (Wickens [14]).

Much of the literature on MBO is descriptive in nature, i.e., it describes what MBO is, how it should be implemented, its advantages and its drawbacks without relying on empirical research. Empirical research does exist, but most of it examines perceptions, attitudes, job satisfaction, and similar dimensions (Carroll and Tosi [2]; Ivancevich [5]), and ignores the issue of performance. A study conducted by Raia [10] focused on measures of economic performance, but it did not include a control group; therefore, no conclusions could be reached with respect to causation. Ivancevich's study [6], employing a multiple-time-series quasi-experimental design, also emphasized hard measures of performance, but lacked ideal controls. What is needed at the present time is a well-controlled field experiment, i.e., a study in an actual firm conducted by the exacting rules of experimental design and emphasizing "hard" measures of economic performance. These experiments constitute a beginning at filling this need.

Sample

One study was conducted in a 41-branch bank in the Maryland suburbs of Washington, D.C. Management of the bank collects performance data for the entire bank and for each branch. Because data were

available by branch, it was the most logical unit to study. Each branch is headed by a branch manager who is either an assistant vice president or an assistant treasurer. The preponderance of branch managers have one or more assistant branch managers reporting to them. A geographically contiguous group of branches forms a region which is supervised by a regional manager who is also a branch manager. The regional manager reports to corporate headquarters.

The second study took place in a part of a small railroad company operating in a three-state area. Two very similar car-repair shops exist in the company, and they are separated by approximately 80 miles. Each car shop is operated around the clock on a three-shift basis and is responsible for repairing the items that fail on a railroad car. Each shift consists of three workmen and an assistant foreman.

Research Design

BANK

Because of the limitations presented by the size of the sample, the experimental and control groups were constituted by matching rather than by random sampling. With the aid of the vice president and personnel manager and several staff members, a comparable branch in the control group was found for each of the 13 branches in the experimental group. Such factors as market area, volume of business by categories, age and education of the branch manager, and the number of assistant managers reporting to the manager were used in the matching of the two groups. The author introduced management-by-objectives into the experimental group.

Eight branches were deliberately held out of the study (the members of which had no knowledge of their involvement in the study and had no contact with the experimenter) and were used to test the magnitude of the "Hawthorne Effect," if any. Since only eight branches were held out for the second control group, the number of branches in each group was reduced from 13 to eight when testing for the "Hawthorne Effect." Such a design permits one to identify the respective influence of MBO and the "Hawthorne Effect" on performance.

During the study the author became convinced that one branch was not operating with MBO. Consequently, that branch and its control counterpart were removed from the study.

RAILROAD COMPANY

One car-repair shop was designated the control group, while the other constituted the experimental group into which the author introduced MBO.

Performance Measures

BANK

The following performance measures were used in the bank experiment: number of checking accounts, number of savings accounts, number of other time deposits, number of installment loans, dollar value of checking accounts, dollar value of savings accounts, dollar value of other time deposits, dollar value of installment loans, dollar value of interest on commercial loans, and dollar value of tellers' adjustment account.

RAILROAD COMPANY

Standards have been developed for most operations performed at the car shop by a national consulting firm, and they are used as a baseline for measuring the productivity of the car-repair shops.

In each of the two experiments, data were collected for a 12-month period.

Analysis of the Data

BANK

A *t*-test for related samples was used to compare the experimental and the first control groups at the 6- and 12-month levels with respect to changes in checking accounts, savings accounts, installment loans, commercial loans, other time deposits, and tellers' adjustment accounts. Change scores were calculated for each of these criteria in order to control for initial differences. Table 1 presents the results of this analysis. As the table indicates, there are no statistically significant differences.

Although no significant differences were found between the experimental group and the first control group in the performance measures at the 6- and 12-month levels, it is conceivable that the influence of the researcher had either a deleterious or a salubrious effect on the performance of both the experimental and the first control groups. The researcher was involved with both groups, albeit considerably less so with the first control group. Consequently, a *t*-test for dependent samples was used to test the performance differences between the experimental and the second control groups at the end of 12 months. Change scores were again used to control for any initial differences. (See Table 2.) The "Hawthorne Effect" did not confound the performance data.

Table 3 reveals that a performance index (summing intercorrelated performance criteria) could have been used in the interest of more parsimonious analysis. The number of checking accounts could have served as a proxy variable for the number of savings accounts, number

TABLE 1
Mean Change Scores for the Experimental and First Control Groups
(N = 12 branches in each group)

Hypothesis	At the end of 6 months			At the end of 12 months		
	\bar{X}_B	\bar{X}_{C_1}	<i>t</i>	\bar{X}_B	\bar{X}_{C_1}	<i>t</i>
No. of checking accounts	34.750	48.250	.575	45.000	49.916	.088
No. of savings accounts	8.333	19.833	.445	35.583	22.333	.522
No. of other time deposits	-9.250	-2.416	.840	-46.916	-26.833	1.320
No. of installment loans	-2.333	0.333	.600	1.083	-16.416	1.064
\$ value of checking accounts	62,101.750	696,286.083	.674	101,823.416	968,420.416	.0135
\$ value of savings accounts	237,247.083	240,792.666	.045	641,034.500	455,585.750	.743
\$ value of other time deposits	976,300.083	267,621.333	.601	-102,046.583	36,928.666	.956
\$ value of installment loans	-9,188.333	-4,876.666	.168	27,935.333	9,273.583	1.642
\$ value of interest on commercial loans	a			3,349.083	12,241.083	1.628
\$ value of tellers' adjustment account	874.325	660.670	.937	-286.734	101.823	.726

Note: None of the differences is significant at $p \leq .05$.

^a Not available at the six-month level.

TABLE 2
Mean Change Scores for the Experimental and Second Control Groups
(N = 8 branches in each group)

Hypothesis	At the end of 12 months		
	\bar{X}_E	\bar{X}_{C_2}	<i>t</i>
No. of checking accounts	65.750	31.875	.318
No. of savings accounts	45.375	62.250	.165
No. of other time deposits	-52.375	-13.625	2.198
No. of installment loans	2.500	1.375	.177
\$ value of checking accounts	633,541.125	975,909.000	.586
\$ value of savings accounts	708,560.374	488,750.000	1.763
\$ value of other time deposits	2,731,363.375	-1,447,800.375	1.402
\$ value of installment loans	36,505.375	6,788.625	1.309
\$ value of interest on commercial loans	3,283.250	79,737.500	1.027
\$ value of tellers' adjustment account	351.153	-280.805	2.038

Note: None of the performance differences between the experimental group and the second control group was significant at $p \leq .05$.

TABLE 3
Correlation Matrix for the 10 Criterion Variables

Variable Number										
1	1.000	0.895	0.614	0.886	0.639	0.940	0.561	-0.042	0.522	0.018
2		1.000	0.435	0.750	0.350	0.881	0.337	-0.092	0.194	-0.033
3			1.000	0.750	0.535	0.643	0.979	0.125	0.532	0.190
4				1.000	0.674	0.937	0.733	0.109	0.600	0.023
5					1.000	0.676	0.598	0.307	0.941	0.030
6						1.000	0.604	0.072	0.560	0.014
7							1.000	0.130	0.630	0.213
8								1.000	0.187	-0.001
9									1.000	0.048
10										1.000

Where: Variable #1—number of checking accounts; #2—number of savings accounts; #3—number of installment loans; #4—number of other time deposits; #5—dollar value of checking accounts; #6—dollar value of savings accounts; #7—dollar value of installment loans; #8—dollar value of other time deposits; #9—interest on commercial loans; #10—dollar value of tellers' differences.

of installment loans, number of other time deposits, dollar value of checking accounts, dollar value of savings accounts, dollar value of installment loans, and interest on commercial loans. Dollar value of other time deposits and dollar value of tellers' adjustment accounts were not intercorrelated with the other criterion variables and would still have to be analyzed separately. This was not done for two reasons. First, the intercorrelations could be a statistical artifact that would not always hold up. Second, the author believed that branch employees did not have control over all of the performance criteria. Consequently, he desired to ascertain whether or not MBO had an impact on the ones that he felt were within the control of branch personnel.

Although it would have been desirable to test whether or not goal difficulty and degree of perceived participation in the goal-setting process were related to performance, this could not be realized due to the fact that performance was correlated with branch size, i.e., the percentage changes in the performance criteria during the data-collection period were correlated with the size of the branch. The number of checking accounts served as a good proxy for seven of the remaining nine performance criteria. The coefficient of correlations was $-.604$ ($p \leq .005$). It appears that the larger, more mature branches grow more slowly than the smaller ones which have been opened more recently in growing markets.

RAILROAD COMPANY

Although performance data were collected for 12 months, the data for the last four months were contaminated by layoffs which necessitated shifting employees around on the basis of seniority. As a re-

TABLE 4
Car-Repair Shop Productivity Data for the Months of May through December

	Experimental Group	Control Group
May	87.62 ^a	84.90
June	85.62	83.80
July	87.80	84.18
August	87.05	87.42
September	81.25	85.05
October	88.88	84.08
November	91.28	71.05
December	85.62	84.73
	\bar{X}_E 86.89 ^b	\bar{X}_C 83.07

^a All of these are adjusted figures, i.e., an initial advantage of 1.40% was deducted from the raw figures.

^b *t*-value equals 1.474 ($p \leq .10$).

sult, only data for the eight months of the experiment will be analyzed. The *t*-test for two related samples was used to ascertain whether or not the performance differences were significant. Table 4 reveals that the experimental group outperformed the control group ($p \leq .10$) even after the performance advantage that the experimental group enjoyed the year prior to the study was deducted. The average performance of the experimental group for the year prior to the study was 84.1 percent of standard, while for the control group it was 82.7 percent of standard.

Discussion and Conclusion

MBO, as it was introduced in these two experiments, deviated from the ideal in several respects. First, it was introduced at the middle-management level and below. An argument has been made that MBO produces its full impact when introduced in the entire organization (Schleh [11]). Second, the studies lasted only one year. It is quite possible that a complex managerial approach takes considerable time to produce an impact (Likert [8]).

Although the results of these experiments do not lend unqualified support to the claims made on behalf of MBO, additional field experimentation in disparate organizations emphasizing objective measures of performance are needed before definitive statements with regard to its efficacy can be made. For example, if the author had not used control groups, these studies could have been interpreted as unqualified testimonials on behalf of MBO. After all, the experimental S's met or exceeded their goals, and they were better off vis-à-vis the performance measures after MBO was introduced than before. Yet vis-à-vis the control groups, the differences were insignificant in the

bank experiment, and barely significant and only at the .10 level in the car-repair shop experiment.

Although MBO has been around since at least 1954 (Drucker [3]) and has for the most part been accepted on faith, a number of companies, having tried it, are abandoning the approach (Singular [12]). It appears that results of these studies do not constitute an isolated case.

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Relationship of Various Motivational Forces to the Effects of Participation in Goal-Setting in a Management by Objectives Program

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Management-by-Objectives programs usually involve the establishment and communication of organizational goals, the setting of individual objectives pursuant to the organizational goals, and the periodic and then final review of performance as it relates to the objectives.

A number of research studies have been carried out to date on MBO programs or on certain features of such programs such as goal-setting. Many of the earliest studies were case studies of individual companies in which the organization's performance after a new MBO program was installed was compared to previous performance levels. In a number of U.S. and English firms in which MBO was introduced, substantial cost savings and productivity improvements have been reported which were attributed to the new program (Wikstrom [22]; Humble [7]; Preston [15]; Raia [16, 17]). In one company the authors along with organizational personnel improved an existing MBO program through an action-research approach. In the previous three years, productivity was declining. In the six years after the new MBO program was introduced, productivity increased 109 percent, sales increased 252 percent, the number of new employees increased by only 68 percent, and the dollar value of sales per salesman quadrupled in constant 1968 dollars. More recently MBO was introduced in a subsidiary company of this same organization and gross sales increased 66 percent in one year.

It is obvious, however, that the increases in sales or productivity or the decreases in costs experienced by these organizations could have been due to many other factors such as changes in technology, management personnel, or the economy rather than to the new MBO program. A recent attempt to partial out all of these external factors to determine the unique contribution of the new MBO program in a chemical company proved to be impossible (Hinds [6]). There are

also several reports which indicate that no performance improvements have followed the installation of MBO.

When the unit of study is the individual instead of the organization, goal-setting has been found to improve performance in a number of studies. Locke [12] conducted some of the earliest studies in this area with college students hired to perform simple tasks. In six out of eight studies conducted, he found that students assigned specific goals or who developed specific goals themselves performed higher than students told to "do your best" (Locke [12]).

Latham and his colleagues have conducted a number of studies of goal-setting in the lumber industry. They found in studies of truck drivers, several logging crews, and typists that employees assigned specific goals performed higher than those told to do their best. In reviewing their own research and other field studies they concluded:

In summary, eleven studies in organizations have examined the effects of setting specific goals. In ten of these studies, evidence in support of the effectiveness of setting specific goals was obtained, although some limiting conditions were discovered. (Latham and Yukl [10])

It would appear from the research that the MBO approach can improve performance but does not necessarily do so. There is now considerable research showing the manner in which the MBO program is implemented and is carried out influences reactions to it and the results achieved (Carroll and Tosi [1]). Variations in the goal-setting process, the performance-review process, superior-subordinate relationship, and the organization's "climate" all can influence the results (Carroll and Tosi [1]).

Assigned Versus Participative Goal-Setting

Having each subordinate participate in the establishment of his or her performance goals was long considered to be an important element in the management-by-objectives approach. This has been especially true of those who have viewed MBO as a humanistic or power equalization technique (McGregor [13]). Others have argued that participation is important in MBO because it contributes to goal acceptance and commitment through ego involvement. As Locke [12] points out, "(participation can be considered a way of) . . . (1) getting the subject to set or accept work goals, and (2) retaining his commitment to them and insuring persistence over time."

However, it has not been shown that participation is an essential element in the MBO process. Tosi and Carroll [21] found wide variation in the degree to which managers allowed their subordinates to

participate in the setting of goals in an MBO program. They also found no general relationship between influence in goal-setting and any of the performance or satisfaction indicators they used. A study at GE by French, Kay, and Meyer [4] provided ambiguous results on the effects of participation in goal-setting. A study by Duttagutpa [3] of an MBO program also showed no consistent effects for participation in goal-setting. Latham and Yukl [11] used both participative and assigned goals for typists and found no difference in performance under these two conditions. A comparison of assigned versus participative goals for students on a task also indicated no difference in performance (Hannan [5]). These findings are consistent with the research on participative versus autocratic supervision which shows no consistent performance increments in favor of the more participative style (Stogdill [19]).

Participation in goal-setting does appear to be related to performance measures under some conditions and with certain types of people. Carroll and Tosi [1] and French, Kay and Meyer [4] both found that reactions to participation in goal-setting were best among those who were used to participating in the decision-making process. Carroll and Tosi [2] found that participation was related to effort for high self-assurance managers but not for low. Steers [18] found that participation was related to higher effort and performance for supervisors low in achievement needs but not for those high in achievement needs; Tosi and Carroll [20] found that usual participation was related to goal success for those with low job interest but not for those with high job interest. The senior author was involved with a dissertation by Kudlinski [8], who found that participation in goal-setting was related to performance among scientists and engineers in a research organization. However, the relationship was much stronger for those professionals who worked for supervisors low in initiating structure. Latham and Yukl [9] found that participation in goal-setting was related to performance for a low-education, mostly black group of logging workers but not for a higher-educated group of white loggers.

A MBO Container Company Study

METHOD

The authors carried out a study of the MBO program of a large container company in Michigan. In this study, questionnaires were received from 647 managers who also completed the Ghiselli Self Description Inventory (GSDI). In addition, ratings on each manager's present performance and potential were collected. In one of the several analyses of the data made, the managers were subdivided into

various groups in order to determine the consequences of this for the relationship between various MBO goal-setting and performance-review characteristics and the manager's performance. The various groups were developed on the basis of motivational and ability factors hypothesized to affect performance. The managers were first divided into two groups on the basis of their performance-reward expectancy or the degree to which the managers believed that high performance would result in pay increases and promotions for themselves. It was recognized, however, that many other factors influence performance other than performance-reward expectancies, and the managers were further split on the basis of their scores on variables such as their self-assurance scores on the GSDI, their rated managerial ability, the degree to which they esteemed their boss, the degree to which they valued extrinsic and intrinsic rewards, and how much performance feedback they received. This created various groups varying in the degree to which various motivational forces were present. Within each group, influence in setting performance goals was correlated to the ratings the managers themselves made of their effort and goal-success during the previous year. Some previous research of the authors indicated that these self-ratings of effort and goal-success were moderately congruent with ratings on these factors made by superiors.

RESULTS

Table 1 presents the results of this analysis. It shows the relationship between degree of participation in the establishment of the manager's performance goals with the ratings of effort and goal-success within the various low and high motivational conditions. Only the highest and lowest motivational condition groups are shown. In general, the results seem to indicate that influence in goal-setting has a low but consistent relationship with effort under low motivational conditions, but no relationship under conditions of higher motivation. There also seems to be a slight negative relationship between influence in setting performance goals and goal-success under conditions of low motivation, but no statistically significant relationship between these factors under higher motivational conditions.

DISCUSSION

For the sample as a whole, there was not a significant relationship between degree of participation in setting performance goals and the measures of effort and goal-success used. However, when various factors associated with motivation or performance in other research (Porter and Lawler [14]) were used to create groups where motivational

TABLE 1
Relationship of Participation in Goal-Setting with Effort and Goal Success
under Various High and Low Motivational Situations

Low Motivational Conditions	Association of Participation in Performance Goals with:		
	N	Effort	Goal Success
For managers lowest on performance reward expectancies and also:			
Low on self-esteem	146	.23*	-.16*
Low on esteem for boss	183	.15*	-.15*
Low on managerial ability	89	.21*	.04
High on extrinsic reward orientation	163	.25*	-.09
Low on intrinsic reward orientation	143	.18*	-.16*
Low on performance feedback	207	.18*	-.14
Low on effort-performance expectancy	176	.20*	-.15*
High Motivational Conditions			
For managers highest on performance reward expectancies and also:			
High on self-esteem	164	.06	.08
High on esteem for boss	212	-.06	-.03
High on managerial ability	112	.04	.08
High on intrinsic reward orientation	147	.02	-.10
High on extrinsic reward orientation	145	-.10	-.02
High on performance feedback	173	-.05	-.13
High on effort-performance expectancy	216	-.05	-.03

* $p < .05$.

conditions were high or low, participation was found to have a positive relationship to effort but somewhat of a negative relationship to goal-success.

The positive relationship of participation to effort under conditions of low motivation but not under conditions of higher motivation may be due to the fact that under high motivation conditions, the individual is willing to accept assigned goals and does not need participation for acceptance. Under conditions of low motivation, the individual has no reason to accept goals and is not motivated to apply effort to their accomplishment. Participation, in the absence of other motivational forces, provides some goal acceptance, however. Thus, one could view participation as having diminishing utility as other motivational forces are present in the situation. This may explain why participation in goal-setting has produced conflicting results in other studies.

There is no ready explanation for the slight but negative relationships between participation in goal-setting and goal-success under low motivational conditions. Of course, performance or goal-success, unlike effort, is influenced by many factors other than the individual's motivational level, such as resources available and cooperation from others.

In the Latham and Yukl [9] study cited earlier, goals were more difficult under conditions for participation of the less-educated group of logging workers. That might explain the results in the container company, but participation was not related to goal-difficulty among these managers.

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Relationships Between Objectives and Work-Related Expectancies

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This research explores the relationships between work-oriented objectives and expectancies. Both goal-setting (e.g., Bryan and Locke [1]) and expectancy theory (e.g., Lawler [10]) deal with the motivation, performance, and satisfaction of individuals in organizations. Up to now, however, these theories have generally remained distinct.

Organizational and managerial objective-setting¹ has been a part of management for many years, although Drucker [6] is usually credited with popularization of the Management-by-Objectives (MBO) concept. Among the more important research relating to MBO, Carroll and Tosi [3] published a series of papers dealing with the application of MBO in real organizations.

More recently, reviews by Steers and Porter [16] and Latham and Yukl [9] have provided an updated synthesis of research findings on the application of goal-setting. According to these reviews, several concepts have emerged from the theoretical and empirical work to date.

First, the reviews examine the question of specific goals versus generalized goals (or, no goals). Overall, the consensus of current findings strongly supported the effectiveness of setting specific goals. Second, the more difficult the goals, the higher the level of performance, provided that goals are accepted by the individual.

Third, performance feedback, or knowledge of results, is an important element for the success of goal-setting. Last, subordinate participation in defining goals is important because it enhances acceptance of the goal and improves commitment to achieve the goal. The effect of participation, however, is thought to be moderated by characteristics of the individual.

Although the research to date has accomplished much toward a theory of goal-setting, very little work has been directed toward relating goal characteristics to an underlying theory of motivation (some exceptions are Cartledge [4], Dachler and Mobley [5], and Steers [15]).

¹This paper will regard "goal-setting" and "objective-setting" as synonymous.

Both Steers and Porter [16] and Latham and Yukl [9] note the importance of synthesizing goal theory and expectancy theory: “. . . efforts to develop a model integrating goal theory with expectancy theory appear to be . . . most promising . . .” (Latham and Yukl [9]).

Expectancy theory is decision theory of choice in the workplace. One current version of the theory (Campbell, Dunnette, Lawler and Weick [2]; Lawler [10]) defines two types of work-related expectancies. Expectancy I (EI) is the effort-performance belief: the cognition connecting effort to performance. Expectancy II (EII) is the performance-reward belief: the cognition connecting performance to reward outcomes. In general, research testing multiplicative models of expectancy theory have not produced positive results (Mitchell [11]), although expectancy II components have generally related positively to job attitudes and behavior.

The question of how job objectives relate to expectancies is the focus of the research reported here. In particular, the purpose of this research was to explore the Steers and Porter [16] speculation that “. . . task-goal attributes . . . affect the [expectancy] components comprising the motivational force equation.”

Method

SAMPLE

The subjects for this research were young professionals who were employed full time in a major midwestern city. The initial contact with respondents was facilitated through an evening MBA program in which all respondents were students. Questionnaires were mailed to 143 individuals, and 68 usable responses were returned. In general, the sample can be described as very homogeneous in terms of age, education, and occupational level. The mean age of respondents was 29.1, 92.8 percent were males, and mean years with present employer was 4.4. Seventy-one percent of the sample classified themselves as “technical-professional,” with the remainder classifying themselves as supervisory or managerial. The sample reported their job-function as follows: sales/marketing, 14.7 percent; engineering, 19.1 percent; manufacturing/production, 7.4 percent; service, 14.7 percent; accounting/finance, 23.5 percent; “other,” 19.1 percent.

MEASURES

Descriptions of objective-setting characteristics were obtained from the Objective Perception Questionnaire (OPQ). This instrument was originated by the authors for the purpose of measuring relevant characteristics of organizational objective-setting (MBO) programs. Previ-

ous analysis from two samples has demonstrated construct validity, convergent and discriminant validity, and internal reliability of the scales measured by the OPQ (Slusher and Sims [14]). The six scales were defined as follows (Cronbach alpha reliabilities of each scale are shown in parentheses) :

- *Management Emphasis on Objectives* (.90). The degree to which management and supervisor expressed interest in the definition of objectives.
- *Clarity of Objectives* (.78). The degree to which objectives were expressed in concrete, specific, and quantitative terms.
- *Control Over Resources* (.80). The degree to which the subordinate has authority and access to the resources that are necessary to achieve objectives.
- *Participation in Setting Objectives* (.72). The influence which the subordinate has in defining objectives.
- *Feedback on Progress* (.77). The degree of knowledge that the subordinate has regarding progress toward achieving objectives.
- *Challenge of Objectives* (.73). The difficulty of attaining the objectives.

The Expectancy Perception Questionnaire (EPQ) was used to measure expectancies. The questionnaire was inspired by the previous work of House and Dessler [7] and Sims, Szilagyi, and McKemey [13]. Previous analysis (Sims [12]) has shown construct validity and reliability of the expectancy scales. Six performance-reward (EII) expectancy scales were measured. EII (extrinsic) was a large scale that dealt with a variety of extrinsic outcomes involving recognition, prestige, and promotion. The extrinsic reward, pay, emerged as a distinct dimension, *EII (pay)*. Other scales were *EII (friendship)* and *EII (security)*. Perhaps the two most interesting and innovative scales were EII (negative), which dealt with undesirable outcomes, and EII (intrinsic), which dealt with intrinsic outcomes that were associated with the job itself. The mean Cronbach alpha reliability of the expectancy scales was .85, and ranged from .76 to .94.

Results

Table 1 shows the relationships of the objective-setting characteristics to the performance-reward expectancies. A majority of the relationships were statistically significant, showing strong relationships between the two sets of variables. However, the two strongest correlations in the matrix were perhaps the most interesting and revealing.

First, management emphasis on objectives was highly correlated with

TABLE I

Correlations Between Objective Characteristics and Performance-Reward Expectancies

Objective Characteristics	EII (ex-trinsic)	EII (in-trinsic)	EII (friend-ship)	EII (se-curity)	EII (pay)	EII (neg-ative)
Management emphasis on objectives	63	26	40	32	38	22
Clarity of objectives	06	-08	-10	21	12	08
Control over resources	37	20	27	22	36	04
Participation in setting objectives	36	49	38	22	26	17
Feedback on progress	29	-02	09	-04	29	-13
Challenge of objectives	57	65	23	33	41	37

Notes: Correlations shown without decimal point.

Significant levels: $r = .40: p \leq .001$; $r = .30: p \leq .01$; $r = .24: p \leq .05$.

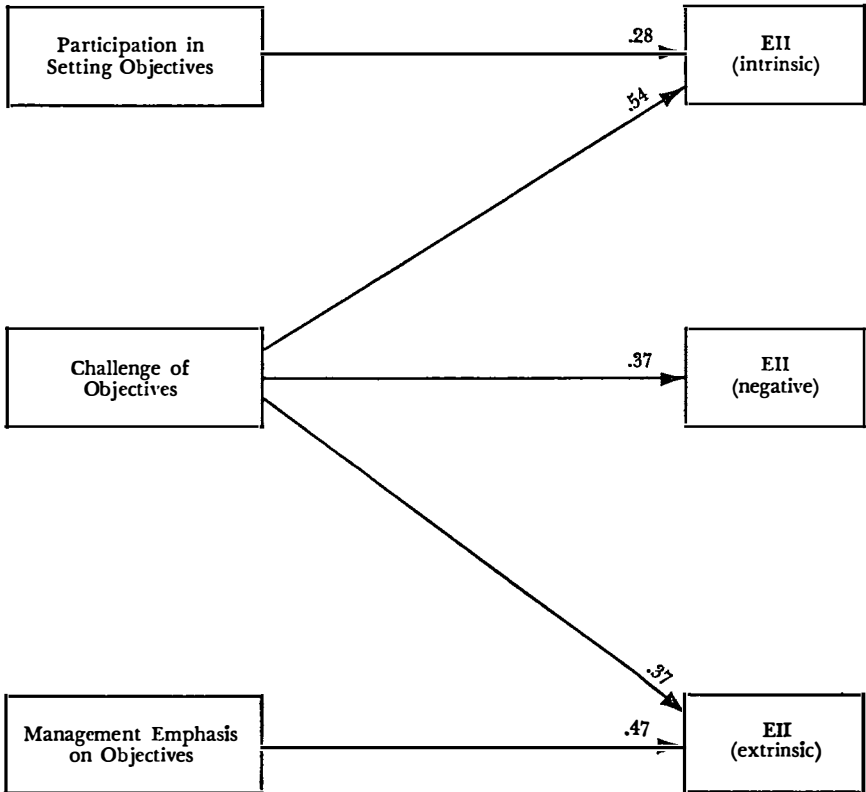


Figure 1. Path-Analysis Diagram Showing Selected Relationships Between Objectives and Expectancies.

EII (extrinsic) (0.63). Second, the challenge of objectives was strongly related to EII (intrinsic).

Interestingly, clarity of objectives did not relate strongly to expectancies. However, control over resources, participation in setting objectives, and feedback on progress all related significantly to EII (extrinsic). Participation in setting objectives also related strongly to EII (intrinsic). Also, the challenge of objectives related significantly to EII (negative).

Discussion

This analysis has provided an initial exploration of the relationships between objectives and expectancies. In order to highlight the strongest and most interesting of these relationships, a simplified path-analytic model was constructed with selected variables of interest; it is shown in Figure 1. The model is based, of course, on the *assumption* that perceived attributes of objectives are antecedent to expectancies. The path coefficients shown in the model are the standardized Beta weights from regression analysis.

Note the contrasting pattern of antecedents to EII (intrinsic) versus EII (extrinsic). EII (extrinsic) relates predominantly to management emphasis on objectives, while EII (intrinsic) relates predominantly to the challenge of objectives and participation in setting objectives. Interestingly, while challenging objectives appear to enhance the intrinsic aspects of the work, this enhancement is not done without a concurrent "cost" (i.e., EII (negative)). That is, challenging objectives do lead to negative outcomes because of the *lack* of time available for family, friends, and leisure.

The relationship between management emphasis on objectives and EII (extrinsic) is most consistent with empirical experimental findings by Ivancevich [8]. He concluded that positive results from a management-by-objectives program were sustained over a longer period of time only when managers continued to be encouraged and reinforced by top management for the act of setting objectives. That is, it is important to reinforce the *act itself* by setting objectives, as well as performance that accrues from achieving objectives. It is indeed an "old saw" to state that top management support is necessary for the success of any MBO program, but the research reported here complements the findings of Ivancevich [8] in an empirical confirmation of the critical nature of such support. This research emphasizes that top management support is important because of its relationship to extrinsic expectancies.

The lack of a relationship between clarity of objectives and expectancies is perhaps the most puzzling part of this research. The findings

do contradict previous research and need further investigation. It may well be that individual characteristics have moderated the clarity relationships in this sample. Also, possible inconsistency between "perceived" clarity of objectives and "objective" clarity of objectives may somehow relate to this finding.

Overall, this research has provided an exploratory confirmation of Steers and Porter's [16] speculation that goal-setting characteristics do relate to expectancies. These preliminary conclusions lend encouragement to the further application of these measures to longitudinal and experimental research designs.

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DISCUSSION

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Management-by-Objectives systems have two major facets: (1) clearly stated objectives throughout the organization at each managerial level; and (2) clearly defined objectives for each manager determined jointly by superior and subordinate. It is not uncommon to see one of these objectives wholly or partly implemented without the other. For example, when Elliot Richardson was Secretary of Health, Education, and Welfare, MBO was to be implemented throughout the agency. Objectives, subobjectives, sub-subobjectives for each organizational component were established, but the second objective of well-defined goals was never achieved. As another illustration, an electronics corporation president decided to implement MBO on a voluntary basis throughout the organization. No objectives were stated at the corporate level or at any other level of the company. However, on a voluntary basis, managers here and there began to use goal-setting for subordinates.

Therefore, in analyzing these three papers, I was delighted to note that two of them truly understood the concept of MBO. Furthermore in defining the area, Patten succinctly noted this same conception of MBO. However, I believe that PPBS (program planning budgeting systems) are not being supplemented by MBO. Instead, as DeWoolfson suggests, they are complementary types of management systems and are not mutually exclusive or contradictory approaches to complex management problems in the public sector.¹

All five authors should be complimented on their empirical approach to MBO research. As they noted, almost all of the research in this area has been either arm-chair or case approach. Their statistical approaches, even with the limitations of field studies, have added significantly to our understanding of MBO. I would like to discuss each of these papers in turn.

Muczyk's study has a strength which the other two studies do not have—namely, both parts of an MBO system are analyzed. He has attempted to determine performance of the organization as well as performance of individuals under an MBO system. More studies of this type should be attempted. Rather than praise all of the excellent sec-

¹ Bruce H. De Woolfson, Jr., "Public Sector MBO and PPB: Cross Fertilization in Management Systems," *Public Administration Review*, vol. 35 (July/August 1975), pp. 387-95.

tions of his study, I would like to point out some of the deficiencies which he may have answered elsewhere but did not answer in the paper. Unquestionably, the study would have been of more value if it had been continued beyond the 14-month period. Stein, in a cross-sectional survey of MBO programs that have been in existence for two to five years, notes the following major problems with MBO systems: (1) measurability; (2) inadequate reviews; (3) lack of management commitment; (4) inflexible policy; and (5) lack of downward communications.² Some of these items support Muczyk's conclusions.

Other critical questions can be raised: Why should organizational development be singled out for its ties to the development of an MBO system? If MBO is truly a method of management, should we not also be examining MBO's relationship to other personnel functions and problems? For example, Holley and Feild have been analyzing the attacks upon performance appraisal systems by minorities and women.³ They argue that MBO, as a method of management, with its appropriate appraisal systems are a promising approach to equal employment opportunity. Wortman and Sperling point out that MBO systems have a direct impact upon defining managerial jobs.⁴ Indeed, they feel that there is an interactive effect between managerial job descriptions which are modularized by computer information systems and MBO. Obviously MBO is related to many personnel functions.

Lastly, Muczyk certainly could have used larger sample sizes in terms of the number of branch banks as well as the number of managers involved in the study. Moreover, why were so many different instruments used in the study? What interactions occurred between the various measuring instruments? Were these interactions checked? During the 14-month period, were the branch managers basically isolated from each other? Did they have any communications or interactions with each other? If so, would this not have confounded the study in terms of their discussions with each other about the MBO systems? Unfortunately these questions did not seem to be answered in the paper.

The Carroll-Tosi study is also to be commended for its consideration of both parts of an MBO system. However, several questions should be asked about their study: (1) Was the company so productive after six years under MBO because of increased productivity, increased sales, etc., or was it productive because of other factors such as a unique set of

² Carroll I. Stein, "Objective Management Systems: Two to Five Years After Implantation," *Personnel Journal*, vol. 54 (October 1975), pp. 525-28, 548.

³ William H. Holley and Hubert S. Feild, "Performance Appraisal and the Law," *Labor Law Journal*, vol. 26 (July 1975), p. 429.

⁴ Max S. Wortman, Jr., and JoAnn Sperling, *Defining the Manager's Job* (2d ed.; New York: American Management Association, 1975), p. 128.

products which other companies were not producing or a strategic niche in the market which included better productivity and sales by all similar companies? Did the market share of this company improve in different product lines? (2) With respect to the managerial ratings used in the study, how were the ratings developed? What criteria were used in the initial development of the ratings? How were these ratings related to actual performance? (3) Although the correlations in one part of the study were statistically significant (i.e., performance goals with effort under low motivational conditions), of what practical significance would the results be to a manager or an MBO consultant?

In the third paper, there really is no direct relationship to an MBO system. Although the authors used an MBO instrument which they had developed, they were primarily interested in determining the relationships between work-oriented objectives and expectancies. This paper is related to goal-setting only in an individual-behavior sense and therefore is not investigating a total MBO system. It is again one of those studies which is looking at the circular arrangement of effort leading to performance leading to rewards leading to effort. Although we have many conflicting studies in this area, the question is still far from being answered.

Although the correlations in the Sims-Slusher study are much higher than similar studies in the area, the authors seem to have left a great deal to the imagination of the reader, including no answers to the following questions: What is the instrument like (perhaps a few illustrations would have been helpful since it is not yet widely used)? What types of items are included in the six scales? There are some hints in the results section. Again, what practical applications would this research indicate to a manager? How could such expectancies, such goal-oriented behavior, etc., be explained to a manager or an MBO consultant?

These seminal studies certainly are useful and do indeed point the way to additional, even more fruitful research. This research, by pointing the way toward total performance measures of the organization and individual manager performance measures, certainly points the way toward more empirical, more valid studies of MBO. Will this research actually lead to better management of our organizations if it is not clearly defined and explained to practicing managers?

II. THE SOLVENCY OF SOCIAL SECURITY

The Future of Social Security, 1977–2050

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The retirement class of 1980 will be the first to include a substantial number who will have spent all their working years in employment covered by the Social Security Act of 1935. In that sense the “old-age” part of Old Age, Survivors, Disability, and Health Insurance (OASDHI) is approaching “maturity.” The system is also maturing in the sense that successive Congresses have extended coverage and improved benefits so that virtually all workers are now covered, and the risks of income loss associated with old age, survivorship, and disability are confronted in a reasonably effective manner. The existing system stands as a monument to the political strategy of incrementalism and cautious reform. With regard to the risk of health-care cost, however, the system may be said to be in a state of arrested development. After President Roosevelt postponed action on that in 1935, it was not until 1965, with medicare and medicaid, that the federal government took a major step toward a national health insurance plan.

Contrast of Present and Original Schemes

The existing system of providing old-age benefits is different in several regards from that envisaged by its original planners. They seemed to believe or to hope that the need for old-age assistance would gradually wither away. However, the recent (1972) adoption of a national minimum in the form of Supplementary Security Income (SSI)—financed out of general revenue but administered by the Social Security Administration—signaled acceptance of the idea that the antipoverty goal, as opposed to the purpose of offsetting income loss, could not be fully reconciled with contributory social insurance.

Old Age Insurance’s (OIA’s) pay-as-you-go finance is quite unlike the original plan to accumulate a reserve until 1980, at which time the earnings of the reserve were to pay one-third of the cost of benefits. That plan was set aside in 1939 and finally dropped from consideration in the 1950s. However, OAI has made only a few exceptions to the principle of

funding OAI benefits by employer and employee contributions. No doubt the original sponsors of the strategy of ear-marked, closed funding would attribute to that strategy success in avoiding the two great hazards of (1) run-away promises of future benefits that could not be funded, and (2) "raids" for other government purposes of monies needed for, but not "locked in" to social security.

Also, OAI has observed the social insurance principle of paying most classes of workers (married women workers are an exception) a positive rate of return on their contributions. That principle has been relatively easy to observe during the time of an expanding labor force, a slow growth in the ratio of retirees to covered workers, and stable growth in the real wage rate. We will return to that topic later.

Appraisal of Existing Replacement Rates

Replacement rates of OAI benefits now stand near what may be considered "maturity" levels. A single person now retiring at age 65, whose earnings have been at median levels, can draw a benefit equal to 44 percent of his last year's earnings. If his spouse is also 65, his replacement rate is 67 percent. These rates are about 30 percent higher than they were 20 years ago, and they are now, since 1972, protected against future increases in the Consumer Price Index.

Replacement rates well above 44 percent are in effect for below-median earners. Close to a fourth of all aged persons are eligible for SSI, and replacement rates under SSI may exceed 100 percent. Earners above the median have lower replacement rates, but many of them, particularly among the top 25 percent, have additional retirement benefits available from another public program or from one of the flourishing private pensions plans. So it may be argued that OAI benefit levels are adequate for the great mass of the workers who will be retiring in the near future.

This argument is strengthened by the point that the new aged, in comparison with the preceding generation, are an affluent group. Not only do many of them have access to private pensions, which are certified and reinsured by the federal government, but they have a median net worth three times as high in constant dollars as did early OAI beneficiaries. Not only do they have the SSI money-income floor, which is set at poverty-income levels, but they also have access to medicare and medicaid and food stamps and a number of social services. It used to be that the incidence of poverty among the aged was far above the national average. That is no longer the case, and with the advent of SSI, the poverty-rate among the aged should approach zero, even while the national average rate stands near 12 percent. A good number of the new aged have incomes high enough to benefit from tax favoritism in the

form of the double personal exemption, the exclusion of social security benefits, and the retirement income credit. The aged, who make up 10 percent of the population, may now do more than 10 percent of all consumption.

The new aged as a group are also affluent in the sense that they have plenty of children to pay the freight for social security. These people are, after all, the parents of the post-World War II record crop of babies. They are the people who made the two-earner family the standard, partly in response to unusually heavy burdens of child-dependency which they carried. They may be expected to use their affluence to extend recent trends of opting for earlier retirement with or without good health (and chances for a longer life and better health after age 65 seem to be improving) and for separate living, apart from younger relatives.

Four decades of gradual change have produced an OAI system that seems suited to the political and social environment. It is comprehensive in terms of coverage, and adequate, in concert with SSI and private security arrangements, in terms of replacement rates of benefits. All this would suggest that the future of OAI will be unexciting and that no major changes are likely to occur. But, before we can reach a conclusion on that we need to look at the taxation side.

Projections of Future Replacement and Tax Rates

As recently as 1973 the Trustees of OASDI assumed that, with constant replacement rates for OAI, they would need only about a 10 percent combined payroll tax to fully fund the program until the year 2015. For after that, and until 2050, they foresaw a need for a tax rate of 12 percent. These rates sound low enough to leave some room for health insurance to make use of payroll taxes, and stable enough to let one believe that the rapid growth of "social welfare expenditures" of the last 15 years, which had been led by social security, might be coming to an end. This calm outlook has been shattered by three recent developments.

The first of these is the stagflation which came upon us in 1973, as a result of which payroll tax revenues fell and total benefits (including those for disability) rose quite out of line with recent trends. Second, and overlapping with the first, was the discovery that benefits for those retiring currently had been overindexed for inflation. This means that even if unemployment returns to moderate levels by 1980, present payroll tax rates will not cover benefits. This overindexing, or double-adjusting, for inflation is, however, much more serious for the longer run. It will result, depending on the rate of inflation and the rate of real wage growth, in rising replacement rates and might well require that payroll taxes be about six percentage points higher in the years 2030 and beyond than

they would have to be if replacement rates were held constant. This overindexing arises out of a decision made at the time of switching over to an automatic adjustment for inflation in 1972. At that time, the Congress and their advisers in the Social Security Administration elected to follow ad hoc procedures that had been used in making periodic benefit adjustments since 1950. In effect, the 1972 formula adjusts benefits for price increases on top of wage increases which have occurred in response to inflation. These procedures were associated with gradual rises in replacement rates during the 1950s and 1960s, but apparently no one figured they could cause such spectacular changes in replacement rates in the future. It now appears that a chronic inflation of 4 or 5 percent could produce replacement rates over 100 percent for some workers and a 50 percent rate for the median earner retiring as early as the year 2000.

The third recent development to upset the complacency in the OAI field was the continued drop in the nation's fertility rate—to much lower levels than were forecast only a few years ago. We are now experiencing fertility rates below those required for zero population growth! This, of course, means that the rate of growth of the labor force, and, hence, of the taxable wage base, will be sharply below previously predicted levels 20 years from now. While the number of future retirees is growing, the number of future workers is stabilizing. If the low fertility pattern persists, those who are working after 2030, rather than paying a 12 percent tax rate, will have to pay a 17 to 19 percent tax rate, assuming that existing benefit replacement rates are held constant.

Questions Raised by the Demographic Twist

It may help in discussing this situation to identify retirement classes in 30-year intervals, starting in 1980. The second generation, retiring in 2010, represents the post-World War II baby boom. The third generation, retiring in 2040, is made up of children born in 1975, and the fourth, retiring in 2070, will be born in 2005. All four of these generations are involved in the transition to a radically different relationship between the number of retirees and the number of tax-paying workers.

The tax rate will start to rise rapidly around 2010 when the postwar babies, in their great numbers, start to retire. This increase in tax rate will fall first on the retirement class of 2040, that is, the relatively small group born in 1975. Each worker in the class of 2010 has to pay current retirement costs of one-third of an aged person; the worker in the class of 2040 will need to pay for one-half of an aged person. The 50 percent jump in this ratio explains the 50 percent jump in the tax rate. If replacement rates are held constant, the class of 2040 will get a relatively bad deal out of OAI. They will pay more per capita than their parents

did and get the same share of earnings replaced. In other words, they will get a lower rate of return on their contributions than will the class of 2010. It is unlikely that the retirement class of 2070 will get that kind of a bad deal, that is, a lower rate of return than their parents. That would happen only if population growth were to fall substantially below zero in 2005.

OAI is a treaty among generations and that treaty is likely to be quite strained as a result of this demographic twist. It is worth pointing out that the rate of return of a pay-as-you-go, fixed-replacement-rate OAI system is bound to fall as it matures even without any other change. The system has already registered such a fall, but it has been gradual. A decline in the rate of population growth will cause a further reduction in the system's rate of return. A zero population growth rate may mean that the only factor remaining to cause the rate of return to be positive is a positive rate of growth of the average real wage—and some people have doubts about the future of that variable.

Is it fair to plan to impose such a high tax rate as 17 to 19 percent on the retirement class of 2040, knowing that their rate of return is going to be low? Is it fair for their parents (the retirement class of 2010) to have a relatively easy time in paying the current retirement cost of the class of 1980 without helping to lighten the burden for their children in the class of 2040? This class of 2010, after all, has a lower child-dependency burden than did the class of 1980 as well as a lower old-age dependency burden than the class of 2040.

In the pursuit of fairness, should the class of 1980 volunteer now to accept lower replacement rates than they are scheduled to enjoy? That class, it may be said, is the one that is at fault. They caused the prospective jump in the tax rate to be so extraordinarily great by departing dramatically from the historic downward trend in the fertility rate. Should this class of senile delinquents pay now for their youthful follies of creating such a large retirement class in 2010? Or should we honor their use of the classic defense of "no malicious intent"?

Would it be more fair for the class of 2010, who have virtuously returned the notion to its historic fertility trend, to now accept lower replacement rates, effective in 2010, and thereby hold down the taxes their children will have to pay at that time? Since the median benefit is now projected to be about \$10,000 a year in 2010, it would not seem like a great hardship to accept a somewhat lower replacement rate. Alternatively, (and this is reminiscent of a controversy "settled" over 20 years ago) should they volunteer to pay higher payroll taxes now in order to accumulate a trust fund which could be used to reduce the payroll taxes to be paid after 2010 by the class of 2040? Should that fund

be drawn down by 2040, or maintained as an earning asset for the class of 2070?

Who should answer these mind-boggling questions? Should they be voted on by the class of 2010 alone, or should the class of 1980 also have a say in a decision that will affect their grandchildren?

Quite aside from the issue of intergenerational fairness is the question of how to hold all earners in the system when the average rate of return falls to low levels. The redistributive tilt in the benefit formula and the relatively low replacement rate for people earning the maximum taxable wage produce a low return for high-income earners now. But this could turn into a negative rate of return for them if the average rate falls sharply. Will they want, then, to withdraw from the system and direct their contributions to private pensions? Alternatively, will they use political pressure to modify the distributional tilt in the formula and to eliminate dependents' benefits and to push more of the retirement burden onto SSI? Will more and more low-income workers try to escape from the effect of higher payroll taxes via earned income credits of the type introduced into the income tax in 1975? Is it possible that, because of such political pressure, OAI will disintegrate into SSI and private pensions?

These questions would all be easier to answer if the rate of return could be protected by maintaining a higher growth in the real wage base, which, of course, equals the number of covered earners times the average real wage. One way to raise the rate of increase for a few years is to push out the typical retirement age from 65 to, say, 68. This could be encouraged by lower (or zero) penalties on earnings past the retirement age. Another way to get a higher rate of increase in real wages is to stimulate a higher rate of increase in plant and equipment per worker. A method to finance that extra investment is to raise payroll taxes to accumulate a permanent social security trust fund. Some critics see use of this method as a logical corollary of the plausible notion that our present rate of ex ante saving would be higher if workers did not have the promise of future retirement benefits to be paid for on a pay-as-you-go basis. The argument goes that since OAI has the side-effect of holding down savings, it should do something about it. However, as Keynes taught us, a shift in ex ante saving does not necessarily lead to an increase in ex post investment. Moreover, if the demand for investment good is strong, saving will be forced via a higher national income. This takes one off into a full inquiry into macroeconomic theory and policy, out of which a social security trust fund emerges as but one of numerous devices to accommodate a change in the rate of capital formation. Whether present workers want to reduce present consumption in order

to enable higher consumption by future generations is the major question; whether they want to reduce consumption now in order to defend the rate of return on social security contributions is, by comparison, a trifling question, and one internal to social security. The decision was made earlier to place responsibility for fiscal stabilization and economic growth in the hands of the Treasury and the Federal Reserve System. It is often asserted that social security has more than enough goals as it is, without assuming more.

Social Security in a Broader Context

In the last 15 years, cash income-maintenance benefits for the aged, survivors, and disabled rose from an amount equal to 4 percent to 7 percent of gross national product (GNP). This was the leading component in the great rise of "social welfare expenditures under public programs" from an amount equal to 11 percent to 20 percent of GNP. The rise of nine percentage points was comprised as follows: (1) cash benefits for the aged, survivors, and disabled, 3; (2) education, 2; (3) health care, 2; and (4) public aid (cash and in-kind benefits exclusive of those in (1), (2), and (3)), 2 percentage points.

It has been assumed that the rapid rise in cash benefits for the aged might slow down when OAI reached maturity. However, as the preceding discussion indicates, a rapid transition to zero population growth will urge a further rise in OAI and SSI relative to wages. This is likely to be the case even if Congress adopts the conservative position of preventing future increases in replacement rates and even if it stands firm against the trend toward earlier retirement.

This rise in tax rates for cash benefits for the aged, survivors, and disabled will be competitive with pressures for rises in other social welfare expenditures. At present, 40 percent of the nation's health care bill is paid for out of public funds, and it seems reasonable to project demands to shift an even larger share of that cost onto public funding. Zero population growth should yield savings for some public education budgets, but they may be claimed by quality improvements and new forms of education such as preschool, special, and continuing education. The broad set of "public aid" programs may continue to expand with housing allowances, public service employment, or a new cash benefit for intact families. All of this is to suggest that social welfare expenditures could rise to levels well above the current 20 percent of GNP.

The coming generations between now and the year 2050 may evolve quite different views than we now hold of social welfare issues. The words "social security" connote a certain way of thinking—of problems

and remedies, of ways and means—that has come down to us from the 1930s. But, new programs come into being in response to new perceptions of need, new social inventions, and new enthusiasms. As programs expand and overlap with one another, their side-effects become more consequential. Social welfare expenditures interact with policies in taxation and labor markets and several other areas. The future of this interacting set of policies will be shaped by the relative importance our successors attach to the goals of social security.

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Total Dependency Burden and Social Security Solvency*

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The projected aging of the U.S. population has far-reaching implications for the American society—implications of a political, social, psychological, as well as economic nature. One question frequently raised is whether the increasing proportion of the elderly in the population will bankrupt the social security system. In this paper, we focus on some of the major demographic and economic factors that bear on the question of social security solvency.

The Problem

According to the most recent official report, the year-end balance of the combined Old Age and Survivors Insurance and Disability Insurance trust funds would be, under the intermediate set of assumptions, reduced from \$44.4 billion in 1975 to \$9.2 billion in 1981. In addition, under the same assumptions for the next 75-year period (1976–2050), their long-range deficit would amount to 7.96 percent of taxable payroll.¹ These prospects are the cause of concern over social security bankruptcy or insolvency.

Of the estimated long-range deficit of 7.96 percent of taxable payroll, almost half is caused by the benefit computation procedures used to adjust for inflation under the present law. This technical problem, by

*Originally begun as a critical comment on "The Impact of Zero Population Growth on the OASDHI Program," by George E. Rejda and Richard J. Shepler, *Journal of Risk and Insurance* (September 1973), pp. 313–25, this project grew in content and length. When the invitation to participate in the IRRA program arrived, we decided to produce a separate paper instead. However, owing to space limitations, this version is only a summary and does not include specific criticisms on certain technical aspects of the paper cited above. We acknowledge able assistance in the overall project by Manuel D. Ferrer, Stuart H. Sobel, and Felicitas Hinman.

¹ 1976 *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (mimeo), pp. 53 and 104. The intermediate assumptions are those on key economic and demographic conditions that bear on OASDI which will produce medium (as opposed to low or high) estimated cost of the program.

now well known, is commonly referred to as “double-indexing”² and is certain to be removed by Congress in the near future.

However, a significant deficit of an estimated 4.28 percent of taxable payroll over the next 75 years still remains, though most of it would not occur until after the turn of the century. This development is caused by increasing proportions of the aged in the projected future population, resulting from recent and projected low fertility rates.

Based on the latest Census Bureau projections, the “old age dependency ratio” (OADR), defined as the number of persons aged 65 and over per 100 persons aged 20 to 64, would be rising. Under the Series II assumption about the ultimate level of cohort fertility (2.1 lifetime births per woman), which the Census Bureau regards as “appearing at this time to be a reasonable choice,” OADR would increase from 19.2 percent in 1975 to 28.5 percent in 2050, or an increase of 48.4 percent over this 75-year period (Table 1). The projected vast increase in OADR implies an immense rise in the tax burden on the working population in supporting public expenditures for the elderly.

The Analytical Framework

While the projected increase in OADR does not augur well for the workers insofar as their tax burden is concerned, there are offsetting considerations.

Since OADR is projected to increase primarily because of low fertility rates, the same fertility condition would result in fewer young persons and, thus, in a *declining* “young age dependency ratio” (YADR), defined as the number of persons under 20 years of age per 100 persons aged 20 to 64. As shown in Table 1, the YADR is projected to decrease from 64.1 percent in 1975 to 48.7 percent in 2050, a decline of 24 percent. A decline in YADR tends to have the opposite and offsetting effect of reducing the tax burden on the working population.

Since the workers are called upon to support both the old *and* young dependents, the “total dependency ratio” (TDR)—the sum of OADR and YADR—may be a more appropriate basis for suggesting the burden on the working population of such support. Also shown in Table 1, TDR, defined as the number of persons under age 20 plus those over 64 per 100 persons aged 20–64, was 83.3 percent in 1975 and is projected to decline to 77.2 in 2050, a reduction of 7.3 percent. A reduction in TDR tends to reduce the total tax burden as well, though whether a given percentage decline in TDR means less or more total tax burden

² A good discussion of this problem is found in *1976 Annual Report . . .*, pp. 81–88. Also see *Reports of the Quadrennial Advisory Council on Social Security*, House Document No. 94-75, 94th Cong., 1st Sess., March 10, 1975, pp. 51–54.

TABLE 1
Dependency Ratios in the U.S. in Selected Years, 1975-2050

Dependency Category	1975	1980	1985	1990	1995	2000	2025	2050
(1) Old age dependency ratio (OADR)								
(a) $\frac{\text{Ages 65 and over}}{\text{Ages 20-64}}$ (%)	19.2	19.4	19.7	20.5	20.7	20.0	28.6	28.5
(b) Percent increase (+) in OADR over 1975 (%)	.....	(+) 1.0	(+) 2.6	(+) 6.8	(+) 7.8	(+) 4.2	(+) 49.0	(+) 48.4
(2) Young age dependency ratio (YADR)								
(a) $\frac{\text{Ages 19 and under}}{\text{Ages 20-64}}$ (%)	64.1	56.8	53.0	53.0	53.5	51.9	49.4	48.7
(b) Percent decrease (-) in YADR from 1975 (%)	.....	(-) 11.4	(-) 17.3	(-) 17.3	(-) 16.5	(-) 19.0	(-) 22.9	(-) 24.0
(3) Total dependency ratio (TDR)								
(a) $\frac{\text{Ages 19 and under plus 65 and over}}{\text{Ages 20-64}}$ (%)	83.3	76.2	72.7	73.5	74.2	71.9	78.0	77.2
(b) Percent decrease (-) in TDR from 1975 (%)	.....	(-) 8.5	(-) 12.7	(-) 11.8	(-) 10.9	(-) 13.7	(-) 6.4	(-) 7.3

Note: Calculated from U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 601, "Projections of the Population of the United States: 1975 to 2050," U.S. Government Printing Office, Washington, D.C., 1975. This report contains three main alternative projections. The above ratios are based on Series II assumption about the ultimate level of cohort fertility, which is regarded by the Census Bureau as "appearing at this time to be a reasonable choice." The cohort fertility level (the average number of lifetime births per woman) assumed for Series II is 2.1; in contrast, for Series I, it is 2.7 and for Series III, 1.7.

will depend upon the relative cost of supporting the old versus the young and upon the degree to which OADR increases and YADR decreases.³

Moreover, the taxpaying ability of the working population for supporting the dependents is also related to the level of earnings, the labor force participation rate, and the employment rate, among others.

In order to facilitate discussion, we present a simple model in which public expenditures for the old or young dependents are related to earnings of workers, percentage of their earnings devoted to public expenditures for the dependents, the labor force participation rate, and employment rate, as well as old age or young age dependency ratios. Using such a model, we may analyze the impact of the population's changing age composition on the tax burden on the working population of public expenditures for the old or young dependents. We may also examine the interactions between changes in old age or young age dependency ratios and changes in rates of earnings, labor force participation rate, and employment rate. The notations for the variables in the model are as follows: P_{1t} = real per dependent public expenditure for the old in year t ;⁴ P_{2t} = real per dependent public expenditure for the young in year t ;⁵ M_t = number of persons aged 20 to 64, the working-age population, in year t ; D_{1t} = number of persons aged 65 and over, the old-age dependents, in year t ; D_{2t} = number of persons aged 19 and under, the young-age dependents, in year t ; m_t = percent of the working-age population gainfully employed or self-employed, the "employment participation rate," in year t ;⁶ $d_{1t} = D_{1t}/M_t$, the "old age dependency ratio," in year t ; $d_{2t} = D_{2t}/M_t$, the "young age dependency ratio," in year t ; E_t = real per worker earnings in year t ; e_{1t} = percent of E_t devoted to public expenditures (or the tax

³With respect to the relative cost of supporting the old vs. the young, our preliminary estimate is that in 1974 7.4 percent of total earnings or 4.5 percent of GNP was devoted to the tax-supported programs for the old mentioned in fn. 4 below. On the other hand, in 1974 approximately 9 percent of the total earnings or 5.4 percent of GNP was expended on those tax-supported programs for the young identified in fn. 5 below.

As for the relative degree of change in OADR and YADR, a higher fertility rate such as the one used by the Series I assumption (2.7 lifetime births per woman), the OADR in 2050 is projected to be 21.1 instead of 28.5 under Series II assumption as shown in Table I. The YADR in 2050 is projected to be 65.5 (Series I assumption) rather than 48.7 (Series II assumption).

⁴ P_{1t} refers to such tax-supported programs as social security cash benefits to the aged, noncash benefits under social security for medical care, and the supplemental security income program.

⁵ P_{2t} refers to such tax-supported programs as social security benefits for dependent children, aid to families with dependent children, child nutrition and child welfare under Title V of the Social Security Act, and expenditures for elementary and secondary public education.

⁶The employment participation rate results from multiplying the labor force participation rate by the employment rate, and thus shows the actual number of workers in the working population as distinct from the working-age population.

burden for the old in year t ; e_{2t} = percent of E_t devoted to public expenditures (or the tax burden) for the young in year t .

The basic relationship between the old age *or* young age dependency ratio and the real per dependent public expenditure for the old *or* the young dependents is:

$$(1) \quad P_{it} = \frac{m_i M_t e_{it} E_t}{D_{it}} \quad i = 1, 2$$

or

$$(2) \quad P_{it} = \frac{m_i e_{it} E_t}{d_{it}} \quad (\text{Since } D_{it}/M_t = d_{it}, M_t/D_{it} = 1/d_{it})$$

By taking logarithm on both sides of equation (2) and then differentiating, we have

$$(3) \quad \frac{\dot{P}_{it}}{P_{it}} = \frac{\dot{m}_i}{m_i} + \frac{\dot{e}_{it}}{e_{it}} + \frac{\dot{E}_t}{E_t} - \frac{\dot{d}_{it}}{d_{it}} \quad i = 1, 2,$$

The dot above each of the variables denotes the derivative of the variable with respect to time, which indicates the growth of that variable per period of time. When the dotted variable is divided by the variable, the term shows the rate of growth of that variable. Thus, equation (3) demonstrates that the growth rate of real per dependent public expenditure for old *or* for young dependents (P_{it}) is equal to the *sum* of the growth rates of the "employment participation rate" (m_i), percent of the real per worker earnings devoted to public expenditures for the dependent age group, or the tax burden (e_{it}), and the real per worker earnings (E_t) minus the growth rate of the dependency ratio (d_{it}).

Discussion

Based on the relationships and interactions among the several factors it contains, equation (3) enables us to answer questions about the changes in the level of public expenditure, the employment participation rate, the level of real earnings, and the tax burden under various circumstances with either rising or declining dependency ratios.

RISING OLD AGE DEPENDENCY RATIO

1. How fast must real earnings grow in order to keep the real per dependent public expenditure in the future at its present level (i.e., maintaining its purchasing power over time)?

If we assume a constant employment participation rate and a constant tax burden for supporting the aged, then the first two terms, \dot{m}_i/m_i and \dot{e}_{it}/e_{it} , drop out of the equation. Therefore, in order to keep the future

per dependent public expenditure for the aged at a level equal to the present, the growth rate of real earnings must be equal to the growth rate of OADR. Row (1) (b) in Table 1 contains percentage increase in OADR in selected future years. The percent increase in OADR in each of those years over 1975 represents the required rate of increase in real earnings by which the real per dependent public expenditure for the aged may be maintained *without* reliance either on a higher employment participation rate or on a greater tax burden for supporting the aged. For example, per worker real earnings in 1995 must be 7.8 percent higher than those in 1975; i.e., an annual compound growth rate of 0.375 percent during this 20-year period. In 2050, since the OADR is projected to be 48.4 percent higher than that in 1975, real earnings would have to be 48.4 percent higher than in 1975. Thus, the annual growth rate in real earnings during 1975–2050 is 0.528 percent.

In light of the fact that, during the period 1950–73, the annual compound growth rate in real earnings was approximately 2 percent, and in view of the projections for the future growth rate of real earnings which range from 1 to 2¼ percent,⁷ the required growth rates cited above do not seem as menacing as they may appear.

Further, the employment participation rate may well be rising in the future. During the past three decades, the total labor force as a percentage of the population aged 16 years and over increased to 61.8 percent in 1974 from 58.9 percent in 1947.⁸ This 4.9 percent increase in 27 years means a growth rate of 0.178 percent annually. The unemployment rate has fluctuated widely between under 3 and above 9 percent since World War II. The latest Trustees' Report projects a long-range unemployment rate of around 5 percent.⁹ For illustration, let us assume that the employment participation rate will be rising at 0.178 percent a year by, for simplicity, assuming a constant unemployment rate and 0.178 percent annual increase in the labor force participation rate. Then, the required growth rate of 0.375 percent in real earnings annually during 1975–95 would be reduced to 0.197 percent. The 0.528 percent yearly rate of growth in real earnings during 1975–2050 would be reduced to 0.350 percent.

However, these so-called required growth rates in real earnings are

⁷ The 1975 Advisory Council discussed a long-range growth rate of real wages of between 1 and 1¼ percent. See *Reports of the Quadrennial . . .*, p. 100. Another study group projected a range of 1¾ to 2 percent rate of annual growth. See *Report of the Panel on Social Security Financing to the Committee on Finance, U.S. Senate, Committee Print, 94th Cong., 1st Sess., 1975*. And the 1976 Trustees Report used a range of 1¼ to 2¼ percent. See *1976 Annual Report . . .*, p. 79.

⁸ *1975 Manpower Report of the President* (Washington: U.S. Government Printing Office, 1975), p. 203.

⁹ *1976 Annual Report . . .* p. 79.

those necessary to offset the rising dependency ratio when the per dependent public expenditure for the elderly is to be kept at its present level *without* increasing the tax burden on the working population. Therefore, if it is postulated that the per dependent public expenditure for the old in the future should be rising in proportion to the rise in real earnings, equation (3) indicates that, beyond the increase in the employment participation rate as was assumed in the previous paragraph, a rise in the tax burden will be required. Let us analyze this possibility.

2. How much must the tax burden rise in order that the real per dependent public expenditure may increase proportionally to the growth in real earnings (i.e., keeping up with the rising standard of living among the working)?

In order to demonstrate the impact on the tax burden more explicitly, we may rearrange equation (3) as follows:

$$(4) \quad \frac{\dot{e}_{it}}{e_{it}} = \left(\frac{\dot{P}_{it}}{P_{it}} - \frac{\dot{E}_t}{E_t} \right) + \left(\frac{\dot{d}_{it}}{d_{it}} - \frac{\dot{m}_t}{m_t} \right) \quad i = 1, 2$$

The two terms in the first bracket show the interaction between the growth rate in the real per dependent public expenditure and the growth rate in the real per worker earnings. If the expenditure is rising in proportion to the rise in earnings, then these two terms offset each other and drop out of the equation. Therefore, the effect on the tax burden of rising dependency ratio depends upon the relationship between the employment participation rate and the dependency ratio. If the employment participation rate is unchanged, then the tax burden will be raised to the same extent as the rise in the dependency ratio. If the employment participation rate increases, then the rise in tax burden will be reduced by that extent.

Even when we assume, as we did previously, that the employment participation rate advances at an annual rate of 0.178 percent, the rise in the tax burden on the working population would be substantial: during 1975-95, the increase would be 0.197 percent annually, compounding to a 4-percent increase over the 20-year period. For the 75-year period 1975-2050, however, the annual rise would be 0.350 percent, amounting to a 30-percent increase in 2050 over 1975. How real is this possibility?

3. Will the real per dependent public expenditure for the old rise proportionally to the growth in real earnings?

Increase in the tax burden indicated in the last paragraph will be required only if the per dependent public expenditure for the old is

rising in proportion to the rise in real earnings per worker. There is no presumption that such would be the case. It seems likely that the increase in public expenditures will be *less than* proportional to the increase in real earnings, if the economic status of the aged in the future would be gradually improving because of economic growth and such institutional factors as strengthening of private pensions and creation of private saving mechanisms as exemplified by the Employee Retirement Income Security Act of 1974 (ERISA).

Moreover, as noted previously, the low fertility condition that produces rising OADR also produces declining YADR. Let us now examine the effect of a drop in YADR.

DECLINING YOUNG AGE DEPENDENCY RATIO

1. What is the effect of a decline in YADR on the tax burden?

Equation (4), as well as equation (3), enables us to analyze likewise the impact of a declining dependency ratio. If we assume that the real per dependent public expenditures for the young will be rising at the same rate as the rise in the real per worker earnings, then the two terms in the first bracket will drop out of equation (4). Thus, the degree to which the tax burden will be reduced depends upon the relationship between the employment participation rate and the dependency ratio. If we assume that there is no change in the employment participation rate, then the tax burden will be lessened by the decrease in YADR. For example, since YADR in 2050 is projected to be 24 percent less than that in 1975, which means an annual rate of decline of 0.366 percent during 1975-2050, the tax burden of public expenditures for the young would be reduced by 0.366 percent, *even though* the real per dependent expenditure keeps pace with the rise in real earnings of workers, and there is no change in the employment participation rate.

If we assume, as we did earlier, an increase in the employment participation rate in future years, such as 0.178 percent annually, then the tax burden could be reduced by a total of 0.544 percent a year.

It should be added that, if the real per dependent public expenditure is *not* increasing proportionally to the rise in real per worker earnings, then the tax burden will decline by a greater margin than the annual reduction of 0.544 percent indicated in the last paragraph.

2. Will the tax burden reduction due to the drop in YADR offset the increase in the tax burden because of the rise in OADR?

In principle, the saving from a reduction in the tax burden for the young resulting from a declining YADR and TDR may or may not be utilized for the support of the old, depending upon the collective will

of the decision-makers and voters. For example, the society may decide to increase the per dependent expenditure for the young *more than* proportionally to the rise in the real per worker earnings.

Nonetheless, it is interesting to observe that, assuming (1) proportionate increase in real expenditure for both the old and young dependents according to the rise in real earnings, and (2) the annual growth rate in the employment participation rate of .178 percent, the increase in the tax burden for the old, during the period 1975–2050, would be 0.350 percent annually, whereas the decrease in the tax burden for the young, during the same 75-year period, would be 0.544 percent a year.

IMPLICATIONS FOR SOCIAL SECURITY

With respect to social security, rising OADR implies higher taxes for the program. The extent to which social security taxes will rise depends upon the evolving character of the system. The role of social security in income support for the elderly may not continue to expand in the future. With the supplemental security income program now in operation for several years, and assuming ERISA's success in strengthening private pensions and encouraging private savings (individual retirement accounts, for example), social security may serve a more restricted role than it does now in assuring income to the aged.

In conclusion, the projected changing age composition in the population does not mean bankruptcy or insolvency of social security, but does imply a shifting pattern of public expenditures for the two groups of dependents. The degree of the shift in expenditures from the young to the old will be a function of the preferences of the American society. Such preferences will reveal not only the relative amounts to be spent on the old vs. the young, but also the types of taxes and the levels of governments involved. At the present time, public expenditures for the aged are predominantly under federal programs relying primarily on social security taxes, whereas public expenditures for the young are defrayed principally under state and local government measures chiefly supported by property, sales and excise, and income taxes.

Moreover, from the standpoint of the *overall* financial ability of the working population to bear the burden of support, *private* expenditures on behalf of the old and young dependents (a matter outside the scope of this paper) must be considered together with *public* expenditures. When such private expenditures are considered, a lower YADR would tend to reduce substantially the *total* burden for the support of the young, thus rendering the workers more capable of meeting the greater cost of supporting the old due to the higher OADR.

The Political Feasibility of Social Security Reform

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The injection of politics into this economic and actuarial discussion of the social security system must surely reflect more than the brooding of our IRRA political scientist/historian president. It must also reflect the well-established notion that the old folks are a potent lobby that could easily thwart the rational goals of the reformers.

Judged by results, this popular notion that the Geritol set is an irresistible force for special benefits for the old folks certainly has some justification. Consider, for example, the long list of special advantages that an individual automatically acquires with advancing age—an additional income tax deduction, an exemption of all social security benefits from income tax, a retirement income credit for other retirement benefits, a medical care system designed solely for the elderly, preferential tax treatment on the buildup of both individual and corporate pension reserves, and various additional tax preferences sprinkled throughout the tax code such as special treatment in the selling of homes. Then beyond the tax benefits lie a host of other goodies sprinkled throughout government (and private) regulations including lower bus and subway fares, 10 percent off on prescriptions at the local pharmacy, and absolution for any fines at the public library.

A nagging question remains, however, whether these advantages actually reflect the potency of any organized lobby. Most of these benefits were actually in place long before the American Association for Retired Persons or the National Council of Senior Citizens won their stripes on the political scene as spokesmen for the elderly. It may well be that the strongest advocate in behalf of the elderly is Father Time since old age is a stage of life through which all who are lucky must pass. In the past, when individual tax rates were lower, the young needed little coaxing to support measures from which they expect ultimately to benefit. In addition, most of the young want their parents well taken care of but, if possible, well taken care of without the need for any financial support from the younger generation.

This popular awe of the political potency of the elderly is usually accompanied by a fear of what the old folks' power will become five, ten, or fifteen years hence when, according to popular legend, the number of the elderly will explode and overwhelm the rest of the population. This myth must also be punctured since the biggest relative jump

in the elderly population has already occurred. In 1940 the age group eligible for social security (those 62 and over) comprised less than 13 percent of the total adult population 18 and above. This proportion rose substantially to 15 percent in 1950 and 18 percent in 1960. However, from 1960 to 1975 the figure rose only to 19 percent and over the next five years it is expected to rise only to 19½ percent. The big jump that people seem to anticipate will not occur until about 2015 when the baby boom of the immediate post-World War II period in their turn become elderly. How large a proportion of the population the elderly will be at that time is still somewhat uncertain, dependent on future trends in fertility.

The major political fact facing social security reform is not the political clout of the elderly but rather that it has become a simply mammoth program involving practically the entire workforce, 25 million elderly beneficiaries and a cost fast approaching \$100 billion a year. If in the previous calculation instead of relating the elderly population to the adult population, the number of social security retirement and disability beneficiaries were related to the adult population, the result would be a steadily rising percentage, from 2.2 percent in 1950 to 9.7 percent in 1960 and 16.8 percent in 1975. If the program is to be restructured, a lot of people will want to examine the new system to determine its effect on their current or future benefits.

This by itself could be sufficient to thwart or at least delay and complicate any reform efforts. However, another tidal wave of political power is operating in the opposite direction. This is the fear that the system's financial soundness may be in jeopardy, that the retirement reserve fund will be exhausted in a few years, and that benefits will have to be cut or payroll taxes raised substantially to correct the growing deficiency. This question of fiscal soundness has brought an abrupt halt to the succession of easy political points scored by the Congress every election year culminating in 1972 as it raised benefit levels, expanded coverage, added new programs, and removed barriers to qualification for benefits.

How will the political process resolve this issue? The remainder of this paper will be concerned with this question as it applies to several aspects of social security: the short-term deficit, the longer-term deficit, coverage for state and local government employees, disability insurance, as well as several other issues treated more briefly.

Short-Term Deficit

While the current need for additional revenue to support the old-age and survivors trust fund is well recognized, two schools of thought

have arisen on how to do it. There are those (the Administration and employer groups) who wish to raise the payroll tax rate above the present 5.85 percent of covered wages levied each on employers and employees, and there are those (organized labor) who wish to raise the wage ceiling to which the tax rate applies. Each group can call on a number of impartial economists and retirement specialists to support their point of view. The essential difference between the two, of course, is that a rise in the rates would be borne by everyone under the system, while an increase in the wage ceiling would involve additional taxes only from those whose incomes in the system are above the wage ceiling, currently at \$15,100. Congress, of course, is not eager to raise anyone's taxes in an election year, so no action is likely until the new Congress convenes next year. When action does come, I suggest it is likely to embody a typical congressional solution; namely, there will be some increase in the rate and some increase in the wage base.

Longer-Term Deficit

Here, there is strong agreement that the first step toward eliminating the longer-term actuarial deficit is to "decouple" the current system of calculating benefits adopted in 1972 under which a participant's future retirement benefit is tied, in effect, to changes in both wages and prices. However, disagreement arises over whether a "decoupled" system should be based on wage or price indexation. Until recently, there was a surprising degree of unanimity in favor of a system under which, in calculating an individual's retirement benefit, his earnings for each year would be updated to reflect subsequent changes in average earnings throughout the economy. This proposal is currently supported by the Administration, the Advisory Council on Social Security, organized labor, and many outside observers (including the former social security actuary, Robert J. Myers).

Until recently, employer organizations were also in this camp, but more recently they have given their support to an alternative proposition recommended by a panel of economists and actuaries headed by Dr. William Hsiao reporting jointly to the House Ways and Means Committee and the Senate Finance Committee. This panel proposes that individual earnings be indexed forward not on the basis of changes in wages throughout the economy, but on the basis of changes in prices. Since wages rise somewhat more rapidly than prices (the effect of increasing productivity), a price-indexed system would yield a level of benefits which as the years passed would fall increasingly below the level of benefits under a wage-indexed system. Another way to put the difference between the two programs is to compare changes over a pe-

riod of years in the benefit of individuals retiring under each system with identical lifetime earnings histories. Under a wage-indexed system, replacement rates (benefits as a percent of preretirement earnings) would remain the same, whereas a price-indexed system would yield benefit levels with constant purchasing power through the years but under which replacement rates would gradually decline.

Currently, the proposal for a price-indexed arrangement has the support not only of this expert group and employer organizations but also of a number of economists such as those at Brookings who are concerned about the allocation of federal revenues to the aged at the expense of other needs in the welfare area such as child care. Moreover, the price-indexed system would have a greater impact on the longer range deficit, eliminating it completely by present estimates while wage indexation would only cut it in half. However, in political terms, it seems unlikely that the groups favoring a price-indexed system would be able to prevail against the greater clout of the opposition and the easy-to-understand rationale of a constant replacement rate through the years for a wage-indexed system.

There is one other aspect of the proposed new wage-indexed system that is worth calling attention to. In a shift to the new system, individuals with different earnings histories would be treated somewhat differently. For example, the new approach would be relatively advantageous to individuals with relatively high covered earnings in their early work life but with somewhat lower earnings in their later working years. This group, for example, would include laborers whose earnings capacity tends to drop once the individual reaches his late forties or early fifties. Conversely, the new approach would be relatively disadvantageous for individuals in the opposite situation such as professionals with slowly rising career salaries which reach a peak just before retirement. However, the advantaged and the disadvantaged groups are not readily identifiable by age, sex, color, race, nationality, or other characteristic so they are unlikely to form a potent lobby either for or against the proposed reform.

Other Long-Range Issues

Two other long-range issues deserve mention since they both involve potent political forces. The first is the continuing push for raising or eliminating the retirement test of earnings. Almost everyone receiving a retirement benefit feels that he should be entitled to contribute to the national economy to the limit of his ability. The notion fathered by the depression of the 1930s that the social security benefit is contingent upon limiting one's work activity is difficult for the current

retiree to accept; rather, the benefit is viewed more as an earned right for reaching retirement age after an extended worklife.

Even though the present limitation of \$2760 is well above earlier limits, and even though this amount is not an absolute cutoff (earnings above this amount reduce an individual's benefit \$1 for each \$2 earned), and even though the limitation is indexed upward by changes in the price level, strong pressures continue for its elimination. However, the \$7 billion annual price tag in the form of additional benefit payments that would result from this move makes this a rather costly reform and one that Congress is not likely to adopt in the near future.

A second long-range issue is the interest of many groups in introducing general revenue financing into the social security system. This would temper the use of the regressive payroll tax while at the same time providing support for some needed changes in programs. Congressman James A. Burke, Chairman of the House Ways and Means Social Security Subcommittee, has introduced a bill calling for splitting the financing in three equal parts: employers, employees, and general revenues.

The chief problem, of course, is that such a proposal makes a big dent in the budget. The Burke bill would mean a \$25 billion tap on the Treasury, rising to \$33 billion by 1980. In today's world this is out of the question, but it is conceivable that in the reform package a limited injection of general revenues would be utilized to finance specific welfare aspects of social security—cost of the minimum benefit, for example.

Coverage for State and Local Government Employees

This is a more traditional political issue involving old-fashioned specific interest groups. Coverage under the Social Security Act for state and local government employees is optional, requiring formal agreements between the states and the Secretary of HEW. About 70 percent of such government employees are currently covered, with the great majority of those not covered participating in a state or local government retirement plan. Tax receipts from this coverage are substantial, providing 11 percent of the system's revenues.

Recently a trend has developed toward a withdrawal of such coverage, not only by the employees concerned but also more recently by their employers, the state and local municipal governments, such as New York City, who wish to save the payroll taxes which they would otherwise have to send to the federal government (NYC estimated savings would be \$250 million a year).

The problem is complex. Normally, you might think that everyone would want to be covered by social security. However, some employees feel such coverage is unnecessary because they expect to obtain such coverage eventually either by "moonlighting" (firemen often take a second job) or by entering private employment after retirement (police and many other public safety officers can draw retirement benefits after 20 years of service). By avoiding coverage, the employee does save the cost of his 5.85 percent payroll tax, and it is also possible that he will be able to bring pressure for improvements in his local retirement system that he would otherwise be unable to get if he had social security coverage. On the other hand, employee groups in localities such as New York City are objecting strenuously to the unilateral termination notice filed by their employer.

From the standpoint of national policy, the logical solution is mandatory coverage. (Robert Tilove has an excellent discussion of this in his recent book, *Public Employee Pension Funds*.) Only in this way can present and future government employees be assured of proper retirement protection as they shift jobs and employers. Only in this way can the social security system become a truly national system.

Up to now employees and employee unions have been reluctant to endorse the notion of a compulsory system. Now, faced with the possibility that their governments will withdraw and leave large groups of them without adequate protection, employee organizations are facing the necessity for rethinking the problem. A number of possible actions have been discussed: prohibit governments from terminating coverage once they have joined, requiring employee approval by referendum before any government can withdraw, limiting benefit increases to employees terminating coverage, or making such coverage mandatory sometime in the future. Some congressional action is likely.

Disability Insurance

This program is often neglected as simply a minor aspect of social security. However, the program has been growing sharply with 2.5 million disabled workers receiving benefits at the end of 1975. Benefit payments for 1976 are estimated at \$9.5 billion. It has its own trust fund which is fueled by an allocation from the payroll tax (currently 1.15 percent of covered wages). Because applications have been increasing, adjudications have been favorable to the applicants in an increasing proportion of cases, and the death rate for beneficiaries has been below projections, benefit payments in the program have been rising more rapidly than earlier projections had indicated. The trust fund, now close to \$8 billion, has been losing resources over the past few years

and at the present rate of intake and outgo is expected to be exhausted in 1979.

A number of reasons are advanced to explain why benefit payments are running so far ahead of projections. Among the suggested causes are a more liberal interpretation of the definition of disability, the method of passing on applications under administrative regulations, the spread of information about the program, the manner in which appeals are conducted, and the increasing use of lawyers to represent individuals making applications. However, it is interesting to note that the same phenomenon of increasing benefits is also occurring under the disability provisions of both private retirement plans and the Civil Service retirement system. Thus, the issue is not unique to the social security system; in effect the problem of worker disability may simply be more widespread than previously believed.

How should this problem be approached? Is additional legislation necessary? Temporarily, some diversion of social security trust funds will be required to maintain the solvency of the disability trust fund, but a longer-range program to bring benefits into line with receipts would have to develop either higher tax payments or a series of administrative changes designed to reduce the extent to which benefit payments are authorized. Some of the suggestions in the latter category involve changing the definition of disability, altering the manner in which appeals are handled to allow the government to contest the appeals on the administrative level, and removing some alleged disincentives for work among those recovering from disability. On the other hand, employee groups feel that the present definition of disability is too strict and denies benefits to many individuals in their fifties or early sixties who are unable to find work and yet are not eligible for retirement benefits. Thus, a major political fight is almost bound to arise over the future of the disability program.

In conclusion, it might be worthwhile to list a few proposals for reform that have attracted some attention but which politically seem destined not to get to first base. In this category I would put the following:

Applying the Employer Tax to All Wages While Retaining the Taxable Ceiling for the Employee's Tax: This proposal is supported by organized labor which views it as a way to gain additional revenue for the system. However, since this would destroy the symmetry of equal financing on the part of the employer and employee, it is unlikely to have very much appeal.

Providing Credit to Women for Years Spent as a Housewife: The problem of equal treatment for men and women is a most difficult one.

Undoubtedly certain changes will be made to equalize treatment under the law, but the difficulties of introducing a credit for nonremunerative activity in a retirement system based on remuneration seem to me insurmountable, at least for the foreseeable future.

A Reduction in the 50 Percent Additional Benefit Provided to Married Retirees: Several observers have suggested that the 50 percent bonus for having a wife is actually too high in an era in which such a large proportion of women have earned social security credits on their own. It is certainly true that currently a nonworking wife's benefit is such that relatively few of the wives who do work earn for themselves a benefit higher than the benefit they would receive by simply not working. However, any effort to cut the 50 percent figure is bound to encounter strong political opposition even if some ingenious transition or "hold harmless" provision would protect current beneficiaries in this category.

Substantial Increases in the Minimum Benefit: In the past the minimum benefit has largely been viewed as the sole support of some low-income retirees. As a result, successful efforts were made to raise it substantially. More recently, the advent of the SSI program is designed to meet the needs of low income retirees so that a higher minimum social security benefit is not so pressing. In fact, the minimum benefit now tends to go to those who have only spent a relatively brief time under social security but who may well have earned liberal pension benefits under other government plans. Thus, although raising the minimum benefit still has an appealing ring, most of its erstwhile supporters are now persuaded that this is a poor choice for limited resources.

Conclusion

What conclusion can be reached after this excursion into the political aspects of social security reform? There seems to be no single answer, but the key elements could be put as follows:

1. The fact of a dwindling trust fund, additional heavy payroll taxes, or cutbacks in benefit entitlements creates strong political support for some changes in the social security system.

2. On the other hand, the major stake in the present arrangements already built up by present beneficiaries and participants make it certain that any "reform," or even changes short of "reform," will move slowly through the Congress, and suggests that certain changes might be applied only on a prospective, rather than a retrospective, basis.

3. Changes or "reform" proposals that would require new financing beyond that required to solve the short-term deficit are unlikely to gain strong support, and the possibility of enlisting general revenues to solve

any financial stringency and ease the way to "reform" will encounter rough going because of competing demands for federal funds from other welfare (or even nonwelfare) programs.

4. Thus, in the present climate congressional action is quite likely, but whether this will constitute "reform" will be quite another matter, perhaps to be debated at future IRRA sessions.

DISCUSSION

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The preceding papers have highlighted the key factors: first, social security is an enormous and successful program which covers over 90 percent of the labor force and dispenses \$78 billion in OASDI benefits annually; second, two recent developments, the overindexing of the benefit formula and the shifting demography, have serious implications for the financial future of social security.

According to the 1976 Trustee Report, the combined impact of overindexing and the rising ratio of retirees to workers would force the OASDI tax rate to increase from its present level of 9.9 percent to nearly 28 percent by the year 2050. Approximately one-half of this 18 point increase is due to overindexing and one-half to the changing demography.

The overindexing of the benefit formula must be corrected immediately to avoid capricious replacement rates and unnecessary cost increases. Under a revised system, benefits for current beneficiaries would be adjusted as under the existing law, while inflation adjustments for those still in the workforce would be handled in a manner that avoids the double increase. The proposed scheme for those in the labor force involves calculating an indexed earnings history and introducing inflation adjustments by increasing the breakpoints (rather than the percentages) in the benefit formula in response to changes in the Consumer Price Index. The important point is that indexing earnings histories is not the main focus of the decoupling scheme. Earnings histories should be indexed in any case in order to compare meaningfully a dollar earned in one year with a dollar earned in another year. The key to the decoupling controversy is whether the breakpoints in the formula should be indexed by prices or wages, since wage indexing yields constant replacement rates while price indexing involves gradually declining rates. Price indexing seems to offer greater flexibility since it allows Congress the option of raising benefits for older retirees whose benefits have fallen behind productivity growth as well as awarding higher benefits to new retirees. Therefore, Peter Henle's political judgment that the price indexing scheme lacks the required support was disappointing news.

Assuming then that wage indexing is adopted and replacement rates are stabilized around their current levels, the OASDI tax rate will increase from 9.9 percent to about 19 percent by the year 2000. Whether

or not that burden will be excessive depends on several factors. As Professors Chen and Chu pointed out, while the percentage of dependent aged will rise, dependent children, as a percent of the working age population, will decline, and, therefore, the total dependency burden will fall. However, there seem to be two potential pitfalls to this type of analysis. First, the future old people are already born, but whether the dependency ratio for the young continues to decline depends on the fertility rate, which is a particularly difficult variable to forecast. The data seem to indicate that we have returned to a long-run trend, but there is no way to be certain. Second, old people cost more to maintain than children and the expenditures for children are primarily made at the state-local level, while the elderly depend mostly on federal funds. In addition to the possibility that the decline in the dependency ratio may not materialize, the burden of the projected increase in the OASDI tax will depend on whether the payroll tax is also used to finance a system of national health insurance.

If the burden of the payroll tax under a wage-indexed scheme is considered excessive, one alternative would be to alter the retirement age. Encouraging workers who want to stay in the workforce seems to have considerable advantages both for the elderly themselves and for workers who must support them. Eliminating the retirement test might stimulate labor force activity among the aged and encourage later retirement. Peter Henle indicated that eliminating the retirement test would cost \$6.7 billion; however, that figure refers to eliminating the test at age 62 which is probably not desirable since all workers would claim reduced benefits and continue working. Awarding full benefits without a test at age 65 would cost only \$2-3 billion, and this proposal deserves serious consideration.

In summary, overindexing and demographic shifts represent the two main sources of the long-run financial problems for the social security system. Once the overindexing is corrected, one-half the problem is eliminated. The increased costs due to the demographic shifts cannot be eliminated with a technical correction, but two options exist for limiting long-run cost increases, namely, price indexing the benefit formula and allowing replacement rates to decline and/or extending the retirement age. The financial problems of the system are manageable; the question is how do we want the system structured, which raises the issues addressed by Professor Lampman.

Lampman suggested the possibility of leveling the tax rate through accumulating a trust fund now in anticipation of higher benefit costs in the next century. This intertemporal issue is indeed a difficult problem to resolve and one that is gaining increased attention. On one hand,

intergenerational equity has never been a goal of social security and, in fact, future workers will be considerably richer in real terms than today's workers and more capable of paying higher taxes. On the other hand, if the nation decided to save more collectively, partial funding to avoid the high tax rates required for the demographic bulge might be a desirable method of increasing national capital accumulation.

In contrast to this rather agnostic view on intertemporal equity, I have much stronger views about the horizontal and vertical equity characteristics of the current system.

Traditionally, social security has combined the goals of individual equity and social adequacy. Benefits have been related to earnings, but the relationship has been modified to provide an adequate level of income support to the low-income retired population. Social adequacy has been reflected in the progressive benefits structure, the minimum benefits, and benefits for dependents. In the past, the trade-off between individual equity and social adequacy was necessary and desirable. However, several developments in the last few years all raise the question of whether social security should become a strictly wage-related benefit program.

The future dimensions of social security will be shaped by two recent pieces of legislation. The Supplemental Security Income program (SSI) introduced in January 1974, which provides federally established needs-related benefits, duplicates the welfare function of social security. At the other extreme, the strengthening of the private pension system and the recent evidence of the impact of social security on savings place an upper boundary on the desirable level of benefits. Social security can now fulfill a unique role in a three-tiered retirement system—bounded at the bottom by SSI and at the top by the funded private pensions and individual saving so necessary for capital accumulation.

Within this second tier of earnings-related benefits, recent developments suggest restoring individual equity as the primary criterion. The introduction of the SSI, together with the increased labor force participation of women, paves the way for eliminating benefits for dependents and the minimum benefit. Elimination of dependents' benefits will (1) restore equity between single versus married, and one-earner versus two-earner families; (2) make benefits more directly related to individual contributions; and (3) reduce long-run costs. Abolishing the minimum benefits will also lower costs and eliminate the windfall to beneficiaries of other government pension programs who attain minimum coverage under social security.

Restoring complete individual equity to the social security program would also require the substitution of a proportional benefits formula

for the present progressive structure. In the past, a proportional benefit formula would have been undesirable, because low-wage workers who cannot afford to save on their own require proportionally higher benefits than high-income workers who can supplement their benefits with private pensions and saving.

However, there are two methods of achieving a system of progressive benefits. On the one hand, the present social security benefit structure could be retained with its minimum benefits and steeply progressive benefit formula. The alternative is to provide proportional benefits through the social security program combined with supplementary benefits for low-income workers provided by SSI. This approach would completely separate the goals of earnings replacement and income maintenance into two programs. The earnings-replacement function would be performed by social security as a strictly wage-related system with replacement rates equal across all earnings levels. The income-support function would be transferred to SSI, which is financed by the progressive income tax.

The relative importance of individual equity compared to social adequacy has significant implications for how the system should be financed. As long as the goals of income redistribution and earnings replacement are combined, then the payroll tax must be viewed separately from future benefits and evaluated on its own merits. The payroll tax taken by itself is clearly regressive and an inappropriate means of financing a redistributive system. However, if individual equity were restored to the system and benefits were directly related to a worker's contributions, then payroll taxes could be viewed as a form of compulsory saving which was returned to the worker in his old age. In a strictly wage-related benefit system, the payroll tax is quite an acceptable basis for collecting contributions, and there is no rationale for general revenue financing.

The acceptability of the payroll tax has been enhanced by the introduction in 1975 of the earned income credit. This credit, which is available only to low-income workers who have dependent children and maintain a household, amounts to 10 percent of the first \$4,000 of earned income, after which the credit is reduced by 10 percent of the taxpayer's adjusted gross income in excess of \$4,000. The effect of the credit is to refund OASDI payroll tax payments for low-income families, a group for whom it is difficult to justify a compulsory saving program.

All recent developments seem to point toward returning social security to a strictly proportional retirement benefit plan. The advantages of such a shift are quite significant.

- Social security is financed on a pay-as-you-go basis; therefore, the

cessation of population growth will lower the return on contributions and place the goals of individual equity and social adequacy into direct conflict. High benefits for low-income workers will be possible only at the expense of negative returns for high-income persons.

- Social security is inefficient as a welfare system. Many progressive benefits go to persons with other pensions or substantial capital income. SSI would be a more efficient mechanism to channel funds to low-income individuals.

- A proportional system would eliminate all the injustices between one-earner and two-earner families, and between single and married persons.

- As a tax, social security creates distortions. If contributions were viewed strictly as savings, then any existing disincentives could be eliminated.

Summary

It seems that the social security program is at the most critical juncture of its 40-year life. If social security is going to be responsive to the changing social structure, then the program should be revamped to reflect (1) the introduction of SSI and the strengthening of the private pension system, (2) the evolving nature of the family and the increased labor force participation of women, and (3) its economic impact on saving and retirement behavior. Social security is an enormous program and its future must be carefully planned, for it will have a significant impact on all aspects of the economy. Now is the time!

III. CALIFORNIA FARM LABOR CONFLICT

California Agricultural Labor Relations

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Fresno Bee

On Friday afternoon, September 5, 1975, 15 artichoke workers on the Molera Agricultural Group farm near Castroville made farm labor relations history as they filed into a shed and voted the first union recognition ballots authorized by the California Agricultural Labor Relations Act (CALRA). Within the next five months the staff of the newly created California Agricultural Labor Relations Board (CALRB) conducted an additional 417 elections in which 44,564 workers cast ballots.

The great majority of these workers voted for union representation. The CALRB reported 198 elections were won by the United Farm Workers (UFW), an AFL-CIO affiliate, 115 by the International Brotherhood of Teamsters, 18 were split among three other unions, and 30 elections went "no union." Results of the remaining elections are clouded in unresolved controversies. In terms of ballots cast, the UFW won 54 percent, the Teamsters 27 percent.

By February 6, 1976, the CALRB, its general counsel, and staff were out of business; controversies growing out of the election processes spread into a bitter legislative battle that eventually choked off supplemental funding needed to continue the CALRB activities. But even if the experiment had ended there, it would have been a success. The CALRB gave farm workers a voice in agricultural labor relations for the first time, and out of the elections came clear expressions of the workers' will. Of the 175 elections certified before the board ran out of funds, 111 went to the UFW and most of the rest went to the Teamsters on farms where that union already held contracts. The UFW has since negotiated 41 new contracts, covering 18,000 workers.

More important than the statistical results, the CALRB brought peace to the fields and put to rest once and for all the old agribusiness myth that farm workers were at least satisfied, if not happy, with their impoverished lot. For 100 years farmers have argued that their workers did not want or need union representation. Any labor unrest was

blamed on "outside agitators," or communists, or long-haired radicals from the college campuses.

The message coming out of the 418 CALRB elections is quite clear: Farm workers want to be represented by unions, and the most attractive union for the majority is the Cesar Chavez-led UFW. And now even the skeptics can see that it is possible to end the guerilla warfare in the fields by structuring farm labor relations. The new law narrowed the focus of the century-old struggle between farmers and their workers; the opponents in the always bitter, frequently violent contest put aside their various economic and physical weapons and concentrated their energies on the politics of union recognition elections.

Why then was the CALRB stopped in mid-stride by a legislative battle over supplemental appropriations? What happened? And what are the prospects for the reconstituted board and its staff as they begin rebuilding? I will touch on these questions later, but first I think it is essential to have some background in the underlying power struggle for control of the workforce.

Since the 1870s, when California farmers began importing gangs of Chinese "coolies" to work the harvests, the basic problem has been one of an imbalance of power that greatly favored the agricultural employer. Periodically worker unrest flared into organization struggles that were quickly suppressed, often by raw power. However, the most recent battle has proven the exception. In the 10 years it has been fighting for control of the workforce, the UFW has shifted the balance of power dramatically. And it has been this power struggle that has created the forge in which the CALRA was formed.

In gathering material for my book, *Chavez and the Farm Workers*, I explored the roots of the farm worker powerlessness and examined the power struggle between the UFW, the Teamsters, and agribusiness. The obvious root cause is economics: If the farmers of this nation allowed the agricultural workforce the right to organize and bargain collectively, farm wages would approximate the industrial averages; translated into dollars this would mean a \$3 billion a year in increased labor costs, computed on 1972 figures.

To keep workers unorganized, farm-block politicians kept agriculture outside the National Labor Relations Act (NLRA) while management created and maintained a surplus of moving, drifting workers—men, women, and children who are kept dependent upon a labor contractor–crewboss system that gives growers absolute control over the workforce. The labor contractor and the crewboss function as employers; acting on a farmer's general order for workers, the contractor or the crewboss does the specific hiring and firing. The farmer wants his crops harvested

rapidly, so a surplus of workers is rushed in; the farmer wants labor costs reduced, so the crewboss or contractor speeds up the harvest by setting lower piece rates and requiring workers to "make" a specific number of boxes or bins a day. As slower workers fail to meet quotas or tire, they are replaced by faster workers.

For the system to work, there must be a great surplus of casual labor. The U.S. Department of Agriculture statistics show 2.8 million people work on farms each year, and the number is increasing. Of that number only 500,000 can be classed as hired professionals, as workers who earn all or most of their living in the fields. This means a half-million men, women, and children who depend upon farm labor for their livelihood must compete with 2.3 million housewives, high school and college students, unemployed industrial workers, platoons of children, bus loads of winos off skid-row, and great swarms of illegal Mexican aliens.

In season, California farmers hire up to 244,700 workers; 106,000 of them are permanent employees, the rest are seasonal "hands." Some migrate up from Mexico, some trek in from the Rio Grande Valley, most live and work the year-round in California. And while California farmers pay the highest wages in the nation, you can still find men, women, and children working for as little as 50 cents an hour if you look closely into the piece-rate wage structures and work patterns. In some crops large families still work on a single social security card number, all hands in the family contributing to a single payroll entry.

This may sound like a digression from the topic, but I would argue that to understand the new act and the resulting elections it is necessary to understand the labor force itself. And so I will add one more ingredient, the illegal alien, before returning to the primary subject. The U.S. Immigration and Naturalization Service (INS) reports 240,000 illegal aliens have been captured in California in the first six months of 1976 and that 60 percent of these "illegals" were working in agriculture. INS officials estimate they capture one illegal alien in five. Many of those apprehended and returned to Mexico manage to slip back through the border within days or weeks. One senior INS official estimated one-third of the farm labor force is in this country illegally.

That is the basic model of the workforce established by the employers, and it worked well until 1965, when Filipino grape workers belonging to the AFL-CIO's Agriculture Workers Organizing Committee (AWOC) struck Delano vineyards. At the time growers felt no urgent threat, not even when Chavez led the National Farm Workers Association (NFWA) out of the vineyards in support of the AWOC strike. The farmers, with the help of local government, the courts, and law enforcement agencies, had always managed to put down such insurrections.

Chavez recognized this and took the fight out of the vineyards and into the urban marketplace. After the NFWA and the AWOC merged into the single UFW, the union used the mass media and the secondary boycott to shut off the fresh table-grape markets to California growers. Privately the growers did not believe Chavez had the support of the workforce, but they saw no alternative to signing UFW contracts in 1970. However, vegetable growers in the Salinas Valley had an alternative, the Teamsters. Without consulting the workers, the Growers Shippers Vegetable Association and the Teamsters negotiated contracts covering field labor.

In wages and fringe benefits, the UFW and Teamster contracts appear comparable, but there are two basic differences in their approach to representing the workers. The UFW contracts required the establishment of a hiring hall and a seniority system for seasonal workers, while the Teamster contracts allowed the existing labor contractor-crewboss system to stand. The Teamster contracts were administered from the top down, the UFW contracts from the bottom up.

Under UFW contract, workers on the covered farm elected a five-member ranch committee to administer their contract and to represent them in grievance proceedings. The ranch committees, meeting in convention, set hiring hall policies and general UFW administration policies. One farmer told me, "They are so damn democratic you can't get anything done."

It is true that some UFW hiring halls used arbitrary, even capricious, tactics; sometimes the UFW administration was bumbling and inefficient, but to enter that kind of argument is to bog down in the irrelevant. The issue is not "good" administration or "bad" hiring-hall practices—no matter who defines the "good" and the "bad"—but rather the issue is the hiring hall itself and the use of the seniority system. The hiring hall took control of the workforce away from the growers by replacing the labor contractor-crewboss system; the seniority system was designed to stabilize the workforce by giving local farm workers first chance at the jobs. In concert, the hiring hall and seniority system kept growers from flooding the harvest with migrants. Older, slower workers' jobs were protected by eliminating the "speed-up" tactics.

One large grower calculated the UFW hiring hall increased his labor costs 22 percent over and above the contract wages and benefits. After three years of the UFW contracts, the grape growers wanted out, and they found the Teamsters willing to negotiate agreements that eliminated the hiring hall and allowed a return to the old contractor-crewboss system. The growers and the Teamster organizers contended the workers preferred the change, and no doubt some did. One migrant worker, a

Mexican alien working his entire family in the grape harvest under Teamster contract, explained that while his heart was with Chavez, he preferred the Teamsters "because it is like no union at all."

Following the grape growers' switch to the Teamsters, the summer of 1973 proved the most violent since the cotton strikes in the 1930s. Two UFW members were killed, squads of Teamster toughs terrorized UFW picket lines, local judges outlawed mass picketing by the UFW. Chavez told his membership to ignore the court orders and 3,500 men, women, and children went willingly to jail.

It was in this atmosphere that the pressures for legislation began to take shape. As it became obvious to farmers that the old tactics were not working, they began to change their attitudes. The Teamsters had offered an alternative, more costly in terms of wages, but an alternative that left the farmers in control of the workforce. Agribusiness leaders believed the UFW was at its weakest point; it had only a dozen contracts left, covering maybe 10 percent of the workforce it had once controlled. The mass media were reflecting a national turn away from the turmoil of the 1960s; leaders like Chavez were no longer good copy. In this environment, farmers began to seek legislation that would establish a kind of unionization that they could live with, and they sought laws to protect them from the loss of power.

The time for compromise was right. As Jerry Brown was sworn in as governor of California, he made settlement of the farm labor controversy his primary task. Brown brought the growers, the Teamsters, and the UFW together in compromise efforts that were a surprise because they succeeded. And as the CALRA was being forged in the backrooms of the governor's office, Brown ordered his department of agriculture staff to assemble a temporary CALRB staff and to draft temporary regulations. Previously the governor had slipped \$1.5 million into the agriculture department budget to finance the CALRB.

All of this was necessary because Chavez had insisted, as a condition of his agreement to the compromise, that the first elections had to be held during the fall of 1975. Chavez also insisted the bill be written to guarantee seasonal workers the right to vote. These workers are the most vulnerable because they work a week here, two weeks there, and are easily finessed by delaying tactics. As passed, the law requires that 50 percent of the seasonal workers be in place on the farm before a petition can be filed, and the election must be held within seven days from the date the petition is filed. Pre-election controversy must be settled in postelection hearings. Secondary boycotting is legal only after an election is certified and before a contract is signed.

The CALRA went into effect just prior to the 1975 Labor Day week-

end, and on September 2, the first working day, 33 petitions were filed. The flood gates were open. During the first 30 days 24,937 workers voted in 173 elections. The poorly trained CALRB staff was overwhelmed and overworked.

While the Teamsters and the growers dealt with the CALRB through business agents and lawyers, the UFW membership insisted upon participating directly, and delegations of workers trooped into CALRB offices, to file their own petitions. CALRB staff people—recruited from the NLRB and state bureaus—were visibly upset by “mobs” that did not understand 8 a.m. to 5 p. m. working hours and bureaucratic red tape.

From the outset the Teamsters had an advantage over the UFW because the big union held more than 300 field labor contracts, giving them access to the workers. The courts issued injunctions prohibiting the UFW organizers from entering the fields, despite a CALRB “access rule” that authorized such worker contact during lunch and work breaks. And even after appellate courts overruled the local judges, sheriff’s deputies continued to cart UFW organizers off to jail.

The chaotic election processes and blatant attempts to influence the elections themselves led to the filing of more than 200 unfair labor practices in the first month. Most were filed by the UFW. The situation was in a crisis state when Governor Brown stepped in quietly, appointing a special task force to bang heads, unclog the jam of unfair labor practice charges, and set the election process in order. By December the task force had done its job, the elections were running smoothly, but the uneasy compromise effected by the governor was about to come apart. As it became obvious the Chavez forces were taking a decisive lead in the elections, the growers and the Teamsters began to publicly charge that the CALRB and its staff were prejudiced in favor of the UFW. Lawyers and legislators friendly to the agribusiness-Teamster position began to help in the search for some way to upset the election process.

By this time the CALRB had spent all of its \$1.5 million, had borrowed more to stay in business, and was asking the legislature for a supplemental appropriation. This was the opening the farmers and the Teamsters needed. Such a bill requires a two-thirds vote to pass. A combination of rural and conservative legislators hijacked the appropriations bill and demanded amendments to the CALRA that would swing the balance of power back toward the farmers. Chavez and the governor refused to consider the demands. The CALRB ran out of funds and closed its doors on February 6, 1976.

Chavez quickly outflanked the opposition, taking the issue directly to the voters in the form of an initiative petition. Within 30 days the UFW collected 718,000 signatures, nearly twice the number needed to

place the issue on the November general election ballot. If voters approve Proposition 14, the CALRA will become a law that can not be tampered with by legislators. Only another initiative petition could take it off the books. The proposition modifies the CALRA slightly and makes funding mandatory.

Pressured by the Chavez tactic, the legislature switched course, funding the CALRB for the current fiscal year, and the governor has appointed three new members to replace those who resigned during the board's inactive period. The new board is now gearing up, and a new general counsel and staff are in training for new elections that are to be scheduled sometime in October. The prospects for a more orderly second round look good.

In the end, I must consider the CALRA a success—a conditional success. It has set a precedent by giving one small segment of the national farm labor force a chance to say “Yes, we want to be represented.” And during its brief tenure, the CALRB had a direct influence on ending the violence in the fields. Only time will measure how well the CALRA can withstand the pressures of this long and bitter fight for power in the fields, orchards, and vineyards of California; only time can measure how well it brings the various power factions into some kind of balance—a balance that protects and guarantees the rights of both workers and employers.

It is my hope that this new law, this experiment in agriculture labor relations, proves to be a successful prototype for national legislation. The problems of farm labor can not be settled in one state. They are national in scope, and they must be dealt with as national issues if farm workers are to achieve parity with their industrial counterparts.

The California Agricultural Labor Relations Act: Meeting Peculiar Requirements

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The requirements of California agriculture may be thought to be unusual in terms of size and fluctuations in the number of hired workers employed in the course of the year and in terms of the complex patterns of labor relations practices that prevail. Perhaps the durability of farm labor problems is also an unusual aspect of California agriculture. Yet the state is not unique; five or six states face issues and problems similar to those in California.

The common problems and issues have their origin in the magnitude of fruit and vegetable production and the consequent patterns of labor utilization. No doubt, fruit and vegetable producers in such states as Florida, Texas, and Arizona are keenly interested in events in California. However, because of the extensive public sympathy that farm workers have enjoyed and the widespread use of the boycott, it is possible that a majority of U.S. citizens have had some contact with union-employer conflicts on California farms. Thus the California Agricultural Labor Relations Act and Board in 1975 confronted problems and issues that in varying degrees were of concern to most citizens.

In this discussion we do not assume that current problems, current patterns of labor relations, and the California Agricultural Labor Relations Act indicate the shape of the future for other states or the nation. We will focus on a limited number of aspects of the California hired farm labor market, some of the patterns of labor recruitment and personnel management, and some persistent problems. We have selected the items to be discussed which will contribute to understanding the situation that confronts the administration of the California Agricultural Labor Relations Act.

The California Hired Farm Labor Market

The California State Department of Employment Development utilizes two broad categories in estimating employment of hired workers on California farms: (1) regular workers and (2) seasonal workers. A regular worker is a "worker employed 150 or more consecutive days by

the same employer." A seasonal worker is a "worker employed for less than 150 consecutive days by the same employer."¹

In recent years, estimated average annual employment of regular workers (also referred to as year-round workers) on California farms has remained quite close to 100,000. It is useful to keep in mind that this category of employment is based on duration of employment, not on a classification of job or category of jobs, although tasks are generally identified as seasonal or regular.

Estimates of average annual employment of seasonal workers were 118,000 and 117,000 in 1974 and 1975, respectively. Of course, the employment of seasonal workers fluctuates sharply in the course of the year, from 60,000 to 70,000 in March to about 200,000 in September for the state as a whole. At the county level the fluctuation in employment of seasonal workers is relatively much greater. While the relative difference between the high and low month in employment of seasonal workers is around 300 percent for the state, a similar comparison of counties would show a fluctuation in the neighborhood of 500 percent or higher for the major agricultural counties.

The employment of seasonal workers has not decreased in the past decade; in fact, their importance appears to have increased in the five-year period ending in 1975. The within-year fluctuations also appear to be increasing somewhat.

These data indicate that a mobilization of manpower of major proportions takes place each year. Yet the mobilization that actually takes place is somewhat larger than these employment data indicate, for the total number of individuals who do hired work, seasonal and regular, is substantially larger than the average number employed, even in the month of peak employment. In recent years 400,000 to 500,000 individuals worked for wages in California agriculture in the third quarter of each year. These figures are taken from quarterly data; annual data have not been published since 1967. In that year more than 600,000 individuals worked for wages in California agriculture. However if we restrict ourselves to the third quarter and if we assume that the number of individuals doing regular farm work is approximately equal to average annual employment of regular workers, we can say that about 300,000 to 400,000² individuals are mobilized to perform the seasonal tasks on 30,000 to 40,000 California farms each year.

The framework within which this mobilization takes place is predominantly a casual labor market. It is a labor market in which there

¹ State of California, Employment Development Department, Report 881-X, *Agricultural Employment Estimated, 1950-1975*.

² John W. Mamer and Kuo-shiung Huang, *Seasonal Labor in California Agriculture, 1973*, Report to the California State Board of Agriculture Meeting, May 2, 1974.

is commonly no continuing relationship between employer and employee. The relationship between the employee and the job is casual. The terms of employment are rarely specified in detail in writing. The notion of seniority or job rights is commonly undeveloped. The predominance of piece rates make possible a very limited personnel recruitment and management function even though piece rates do not require such a management style. Commonly the number of workers employed is influenced by the volume of labor supply available; within limits ample labor supplies result in larger crews and shorter duration of employment. The work is commonly regarded as unskilled, but this is questionable. Many seasonal tasks require specific skills. In the performance of these tasks, workers continue to improve proficiency for weeks or even months.

Once one has described the casual labor market this way, it is necessary to immediately qualify this summary by noting some of the many exceptions to these dominant patterns. The existence of unions and collective bargaining contracts have the effect of decasualizing employment for workers covered by contract. Within this casual labor market some employers and employees have established a continuing relationship, such that the same seasonal workers return to the same farm year after year.

Despite these qualifications, and others that will be discussed in subsequent paragraphs, it is essential to note that the dominant institution in the annual mobilization of hundreds of thousands of individuals is the labor contractor. The labor contractor, a controversial figure, performs the economic function of bringing worker and job together. For the farm employer, the labor contractor recruits and supervises a large seasonal labor force to perform the seasonal tasks in accordance with specified standards and in accordance with a precise time schedule. For the worker, the labor contractor locates a job or a sequence of jobs, frequently making possible more employment than individual workers might obtain if dependence is solely on individual resources and/or public employment agencies. Given present acreages of labor-intensive crops and size of producing units, the importance of the labor contractor continues. But there also continues to be disagreement about the appropriate method of performing this function, its cost, and who should bear that cost.

Decasualization

The labor contractor can be regarded as a natural product of the casual labor market. The organization of a union and the negotiation of collective bargaining contracts that include a definition of seniority and an operational procedure for its administration can be regarded as

an employee-initiated effort to decasualize the recruitment of the hired workforce.

Some California farm employers have taken the initiative in decasualizing seasonal farm work, forming cooperatives³ for purposes of recruiting, employing, and managing their seasonal labor force. While the work is seasonal, such as harvest work, workers have specified seniority rights to well-defined jobs. Unemployment insurance, retirement income, paid vacations, and other benefits not usually a part of casual employment are included in the terms of employment. Other farm employers have formed associations to provide some health insurance, and retirement benefits, which give the workers a continuing relationship with members of the association. A few operators, particularly in areas with an 11- to 12-month growing season, plant a pattern of crops that make it possible to retain the same number of employees throughout the year.

Thus the California farm labor market is complex. The number of individuals involved is relatively large, the patterns of employer-employee relations varied, and there are significant deviations from the predominantly casual labor market. However, the deviations from it reflect efforts to come to grips with several of the persistent manpower problems that are a part of the casual labor market as it has evolved in California agriculture.

For more than a half-century it has been recognized that a serious economic problem is that of finding an efficient method of matching worker with job—particularly the seasonal worker with the seasonal job. Analyses of earnings data suggest that the labor force available for seasonal work is far from fully utilized.⁴ Given the absence of a systematic matching of workers with jobs, workers face uncertainty of work opportunities, and employers, except in situations of labor surplus, face uncertainty of labor supplies.

Given the diversity of background (local-nonlocal, illegal-legal), age, income, goals, etc., of the individuals who make up the seasonal labor supply, it would seem that equity as well as orderliness could be served by some system for establishing job rights.

Without making any judgement as to the cause, it can be asserted with some confidence that turnover of the hired labor force on California farms is excessive and costly. There is a problem of evolving a more fully developed job structure, so that those who wish to do so can make a

³ Donald Rosedale and John Mamer, *Labor Management for Seasonal Farm Workers*, (Berkeley: University of California, Division of Agricultural Sciences, 1976), Leaflet 2885.

⁴ Mamer and Kuo-shiung Huang, pp. 14-28.

career of farm work. Applied research in this area indicates that hired workers and farm employers could gain from the development of a job ladder, a systematic approach to manpower needs and manpower training.⁵

Neither the California Agricultural Labor Relations Act nor the Board which administers it is likely to be able to confront these problems directly. Progress in resolving these problems will require the initiative and imagination of employers, employees, and related public institutions.

California Agricultural Labor Relations Act

The California Agricultural Labor Relations Act (CALRA) is different from previous social legislation, most of which intervened in the employer-employee relationship directly on behalf of the worker, by extending to the worker increased protection afforded by social security, unemployment insurance, disability insurance, improved safety regulations, etc. The CALRA does not make any suggestions about changing the terms of employment, except insofar as the opportunity to engage in collective bargaining itself is a change. The Act provides employees with a process for arriving at the decision regarding a union and a set of rules for engaging in collective bargaining if they choose to do so. Without question, the legislation is supportive of the union or collective bargaining concept, but it does not identify major problems about which to bargain, it does not identify any priorities with regard to problems, nor does it give any insight as to the kinds of institutional arrangements that might mitigate current problems.

Although in its general language and provisions it resembles the National Labor Relations Act (NLRA), the CALRA contains features specifically addressed to the unique employment pattern of California agriculture. We can compare the relevant features of the two acts as follows:

NLRA	CALRA
<i>Representation Petition</i>	
May be filed by employees or employer.	May be filed by employee group only.
<i>Show of Interest</i>	
Thirty percent of those currently employed.	Fifty percent of those currently employed when employment is greater than 50 percent of peak employment for the year.
<i>Election Period</i>	
Within 30 days of filing; date may be extended if there is a substantial decrease in payroll during this period.	Within 7 days of filing; if currently on strike, within 48 hours.

⁵ B. Kimball Baker, "Boosting Workers up the Farm Job Ladders," *Worklife*, U.S. Department of Labor, Employment and Training Administration (June 1976), pp. 2-6.

Eligibility to Vote

Workers included on payroll period just before election; economic strikers within 12 months from beginning of strike and their permanent replacements.

Workers included on payroll period prior to filing of petition; economic strikers within 12 months from beginning of strike and their permanent replacements or up to 36 months in certain cases at the discretion of the board.

The authors of CALRA recognized the importance of seasonal work by providing for elections to be held during periods of peak employment, when seasonal workers would have the greatest opportunity to participate. Petitions were required to be signed by 50 percent or more of the workers employed during a period when employment was greater than 50 percent of that at the employer's peak employment. Elections are to be held within seven days; if employees are on strike, the period is 48 hours, which takes into account the particular requirement for handling perishable crops in short, critical activity periods. Because there may be a change of crews or high turnover due to different job requirements even within such a short period, eligibility to vote is based on the worker's presence on the payroll during the period prior to the filing of the petition.

Another feature is the regulation issued by the Labor Relations Board established under the CALRA which permitted union organizers access to workers on the employer's property for the purpose of campaigning prior to the representation election. The "access" rule had been part of one of four labor relations bills debated in 1974, but was omitted from the final version of the Act in 1975. The rationale of its proponents was that access to seasonal agricultural workers was more difficult than to urban laborers since their tenure with individual employers was likely to be short, their residences widely scattered, distant, and perhaps only temporary. Further, some workers would be housed by employers in camps on private property from which organizers might otherwise be barred. Union representatives are allowed to enter the employers' property before and after working hours and during the normal lunch hour to speak to the workers.

Does the CALRA Meet the Requirements?

Before it exhausted its funding in February 1976, the Agricultural Labor Relations Board established under the CALRA had supervised a total of 409 representation elections in five and a half months. In these elections 45,176 votes were cast; establishment size ranged from 10 or less employees to over 1,200. Five unions were involved, with two, the United Farm Workers and the Western Conference of Teamsters, opposing one another on the ballot 125 times.

It appears, based on this short experience, that the features of the CALRA designed to meet the peculiar needs of the California agricultural labor market have been generally successful. Some of the elections occurred in establishments such as nurseries, dairies, and poultry farms to which the NLRA could have applied equally well. The majority, however, were for employers with large seasonal labor fluctuations, many of whose workers could not have been adequately served by the NLRA.

The seven-day petition-to-election period in a majority of cases presented no problem. Some elections were not certified until the occasional postponement beyond the seven-day limit was evaluated. Based on precedents by the Board, some flexibility seems to be tolerated, provided the ability of workers to participate in the election is not adversely affected. In several cases the peak period of employment has been unclear, resulting either from confusion between the number of workers on the payroll and the number of worker-days required to accomplish that week's work or because a combination of workers on the employer's payroll plus workers provided and paid through a custom operator were performing work on a farm during the same period.

We summarize the issues and their distribution among the hearings on representation elections in Table 1.

The question of access to workers on the employer's property has been raised in the courts and the legislature. It is probably the single

TABLE 1

Issues ^a	Frequency
<i>Mechanics of Election</i>	
Polls	
Inadequate notice of election	12
Hours polls open	9
Scheduling of election	6
Ballots	
Format	7
Improper handling or counting procedure	7
Voters	
Questionable eligibility	4
Improper behavior, intoxication	4
Electioneering	
UFW	18
Employer	1
CALRB agent	
Improper decisions or bias	34
Employer	
Spying, improper conduct	8
Access	
Denial of access to union agents	7
<i>Appropriateness of Bargaining Unit</i>	
Less than 50% of peak employment	5
Inclusion of other than agricultural employees	22

^a Many hearings involved more than one issue.

strongest reason that augmentation of the Board's funds was delayed for six months. Farm owners allege a violation of the state trespassing statutes and have found support in some local courts. The access regulation has been upheld in several higher court decisions, although the Farm Bureau and other interested parties continue to contest it. In practice there seems to be considerable exercise by employee groups of the right to access, without the detrimental impact many employers had predicted. It appears likely that as more of the labor force is reached by union campaigns there will be less need to contact workers at the job site, since they will have had previous union exposure. One factor in the Board decision on access has been the inadequate or inaccurate employee lists provided to Board agents and union representatives by employers.

There is some indication that the exclusion of farm labor contractors as primary employers under the Act may reduce their influence in the California agricultural labor market. The CALRA has highlighted the inadequacy of some contractor's records, and has placed the responsibility for their errors and omissions on the farm employer. Some employers have responded to the situation by beginning their own employee records and delegating recruiting and labor supervision to a ranch employee. In some cases labor contractors have accepted employment as these foremen or crew leaders. The long-range impact of this provision is unclear.

The boycott provisions of the CALRA have not yet been tested. It is expected that these will not be used until contracts with employers are being negotiated. To date, once certification has been granted by the CALRA Board, the process of contract negotiation has followed.

The CALRA does not provide a structure for decasualizing the California agricultural labor market. This can only be accomplished through the efforts of employer or employee groups. While some employers are conscious of this situation, only a limited number have attempted to change their patterns of employment. The United Farm Workers have attempted to effect a change in the casual labor market, through the initiation of a hiring hall and seniority provisions in seasonal agricultural employment, sometimes satisfying neither employees or employers.

In the final analysis the CALRA provides an opportunity for joint employer-employee approach to California farm labor problems. The law is in the nature of enabling legislation. It does not assure the initiative and imagination that will be needed in developing those features of collective bargaining contracts that reflect the aspirations and expectations of the workers and the manpower needs of the production processes. The Act does not grant to the actors in the collective bargain-

ing processes the exclusive rights or responsibility for social and economic innovation. Farm operators whose employees are not under collective bargaining contracts continue to have a unilateral opportunity to develop innovative recruitment and management programs. The existence of the CALRA and collective bargaining creates a climate of competition among institutional approaches to the problems mentioned and to other problems.

The Impact of Coercive Persuasion on Unit Formation and Collective Bargaining*

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Few would argue with the assertion that after 11 years conflict between the California growers and the United Farm Workers union has become embedded in the agricultural structure of California and is being conducted outside the mainstream of rules because the growers and the union are not under any legislative umbrella. The main contention between the growers and the union is the underlying blue-chip issue of recognition, that is, the right of farm workers to organize and bargain collectively for wages and improved working conditions. It is no secret in the agricultural labor relations field that farm workers were excluded coverage from the National Labor Relations Act (NLRA) since its passage in 1935. The repercussion from that action resulted in some political and social institutions becoming deaf to the sounds of stress and strain of the farm workers who inevitably rose in protest in 1965. Having been denied avenues of legitimate means for redressing their grievances, the United Farm Workers union, through the instrument of coercive persuasion, charted a course that would assure them both their desires and a redistribution of power.

This mechanism of coercive persuasion used by the union will be the focus of reference for understanding the efficacy of coercive persuasion in a conflict situation, particularly in labor-management conflict. To facilitate the understanding of coercive persuasion, the illustrations will be limited to two conflicting parties, the California growers and the United Farm Workers union. Recognizably, this is a simplification since labor conflicts are affected by third parties and other environmental factors. In addition, I hope to demonstrate the impact of coercive persuasion on unit formation and collective bargaining.

For our purposes the term *coercive persuasion* refers to a rhetorical mixture of appeals and threats buttressed by power that is within the control of the communicator. This definition does not ignore the realities of labor-management conflicts in that messages are usually public and are accompanied by specific rewards or threats.

Central to the conceptualization of coercive persuasion is power which consists of tangible and intangible resources. Therefore, any aspiring

* Portions of this paper are based in part on the author's doctoral dissertation completed under the direction of Paul Batty.

social apostle who initiates and leads change within a social system must acquire control over all of the resources if he is expected to harness power and to exercise influence. With power at its foundation, coercive persuasion becomes the mechanism for changing power relationships by developing new power patterns, communication channels, and compliance.

A clearer picture of coercive persuasion will emerge with a brief historical review of it. The phenomenon of coercive persuasion is rooted in the thought-reform movement of China. According to Inge Schneier and Curtis Barker, coercive persuasion is "applicable to all instances in which a person is constrained by physical, social, or psychological forces from leaving the influencing situation."¹ More recently the term was introduced by Herbert Simons as a means to examine a conflict situation. He referred to coercive persuasion as "acts that combine coercive and persuasive elements . . . applies to any situation in which at least one party sees himself in genuine conflict with another . . ."² James Andrews, in a recent article, illustrates how persuasion and coercion could work in unison:

To deny coercion any place in the process of social change is perhaps to hope for the attainment of an ideal and not to describe realistically the rhetorical process. There is undoubtedly an intimate and compelling relationship between persuasion and coercion. The persuader in his examination of alternatives, may find his position greatly strengthened when one alternative offered is the surrender to coercive methods . . . In short, while persuasion may be viewed by some as the anti-thesis of coercion, persuasion may often depend on its opposite to achieve its goal.³

From this brief review, it is obvious that lack of mobility, perceived conflict over resources and power, and a degree of coercion and persuasion emerge as factors that perpetuate coercive persuasion as the mechanism for change.

Any attempt to change the power relationships within a given structure necessitates the mobilization of resources. In our case this was accomplished by packaging and articulating ideological statements and relationships between men. This served as a vehicle that provided communication linkages with economic, religious, and political elites, and

¹Inge Schneier and Curtis H. Baker, *Coercive Persuasion* (New York: Norton, 1971), p. 269.

²Herbert W. Simons, "Persuasion in Social Conflict: A Critique of Prevailing Conceptions and a Framework for Future Research," *Speech Monographs*, vol. 39 (November 1972), p. 232.

³James R. Andrews, "The Rhetoric of Coercion and Persuasion: The Reform Bill of 1832," *Quarterly Journal of Speech*, vol. 56 (April 1970), p. 187.

aided in organizing those activists who had gravitated to the conflict. Having acquired the necessary resources, the union combined them into power configurations that became the energy base for launching threats and inducements.

Rooted in power, coercive persuasion becomes the mechanism ready to be wielded for behavioral compliance and/or attitude change. Those growers who were confronted with demands from the union and who failed to comply were harassed by the various power configurations until some form of compliance behavior and/or attitude was agreed upon.

There is no question in my mind that the rhetoric of the union's leadership toward the growers was coercive. The growers' credence in the union's leadership threats was necessary. They perceived the union's leader as an actor who had the ability "power resources" of issuing and following through with threats. Walton and McKersie stated that for a "threat to be credible, the threatener must demonstrate that the cost to him of carrying out the threat would not be excessive."⁴ The union had no real cost, i.e., crops to be picked; therefore, the union's leadership could wage a total war of nerves against the growers who had a "threshold of risk—representing the maximum risk a party can stand without capitulating."⁵

The use of coercive persuasion to reinforce union demands is illustrated by the following two examples. Attempts by the union to persuade the lettuce growers through logical and emotional appeals to negotiate frustrated the union's leadership. To reinforce its demands, the union's leadership retaliated by publicly waging its various mobilized power configurations to boycott the lettuce growers. This public statement was a threat, but more importantly it was coercive because of the threatened force which the union's leadership could unleash for the boycotting purposes and which the public would demand because of the union's public stand.⁶ Similar efforts took place on the Pandol Brothers property. The union informed the Pandol Brothers that they could not plant potatoes on their property until a certain grower recognized the union. The grower refused to recognize the union, and the Pandol Brothers did not plant potatoes.⁷ These illustrative examples indicate that the union had the power to issue appeals and threats, but also the ability to carry out a threat. To understand the relationship between appeals and threats, it must be understood that threats influence behavior

⁴ Richard E. Walton and Robert McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill Book Co., 1965), p. 107.

⁵ Charles F. Herman, *International Crisis: Insights from Behavioral Research* (New York: Free Press, 1972), p. 227.

⁶ Herman, p. 237.

⁷ Personal interview with Mr. Pandol, Delano, Calif., November 11, 1974.

not so much by intent or motivation but by the "anticipation of the unknown." A threat generates the idea that suffering will be associated with inappropriate behavior.⁸

In the preceding sketch I have suggested a framework from which to view coercive persuasion as being the mechanism for changing the power relationships within the agricultural structure of California. It should also suggest that in the arena of labor-management conflict, coercive persuasion is a powerful mechanism for transforming human behavior and/or attitudes. Its success, of course, will depend upon the exigencies of the situation.

Let us now turn our attention to the impact of coercive persuasion on unit formation. For the purpose of our discussion I have defined *unit formation* as a percentage of employees who have authorized a union to act as their bargaining agent with management by signing authorization cards. The general effect of coercive persuasion on unit formation is to increase union membership by inducements and/or threats. Whether the workers comply depends upon their degree of freedom to decide whether or not to join a union.

The freedom of choice depends upon the workers' social and economic mobility, their value system in relation to unionization, and their self-perception. This freedom of choice affects both the unskilled and skilled workers, although it is the unskilled workers who have less freedom of choice primarily due to their lack of social and economic mobility and their lowered self-esteem.

The impact of coercive persuasion on unit formation must be understood within this construct. For instance, let us examine the plight of the unskilled, unorganized farm workers who, through no fault of their own, are encased in poverty and in a situation that makes their usefulness outside of their environment negligible. Trapped in a situation that offers no escape, these relatively uneducated farm workers become pawns for unscrupulous humans. Besieged by union agents, some farm workers unequivocally signed the authorization cards indicating that they wanted the union to act as their bargaining agent, but those farm workers who failed to comply with the union agents' demand to sign the pledge card were intimidated, cajoled, harassed, and provoked into compliance. If these tactics failed to produce a majority of pledge cards, then the union agents used "coercive techniques to get a majority of union authorization cards. . ."⁹ which altered the psychic equilibrium of

⁸ George Kent, *The Effects of Threats* (Columbus: Ohio State University Press, 1967), p. 32.

⁹ John E. Drotning, "The NLRB's New Rule on Union Organizing: A Note," *Labor Law Journal*, vol. 18 (May 1967), p. 285.

beliefs, values, attitudes, and behavioral patterns of the farm worker toward unionization.

Not only were the farm workers coerced by the union's agents, but they were also coerced by the antiunion growers. The farm workers were caught in a psychological vice, bombarded with intimidation and threats from both the union and the growers. Benjamin Taylor and Fred Witney stated that "workers form labor unions not only for economic considerations but also because of psychological and social factors."¹⁰ Our situation indicates that where there is no social, political, and economic mobility, psychological fears are created rather than thwarted, and one's freedom of choice is limited.

Let me indicate that to relatively uneducated and trapped humans, the flaunting symbols of race, religion, cohesiveness, and solidarity give a false sense of reality and compound the effect of coercive persuasion on unit formation. The effect is a psychological complex of anxiety and guilt. If you look beneath all of the philosophical and symbolic trimmings flaunted before the farm workers, you will discover the concept of punishment for noncompliance.

As we proceed to the discussion of what effect coercive persuasion has on the collective bargaining process, let me reiterate that central to coercive persuasion is the concept of power which is the mechanism for altering power relationships and which can be utilized as an instrument to arouse fear. The objective of coercive persuasion in the bargaining process is to modify the behavior of both conflicting parties by rewards and threats.

The problem with collective bargaining is that it is man's invention for managing labor disputes. Because man is an integral part of the bargaining process, man's frailties influence the interrelationships between the economic, political, and psychological factors that comprise the bargaining process. The manner in which the bargaining agent rhetorically manipulates the psychological factors significantly determines the effect coercive persuasion has on the collective bargaining process.

Coercive persuasion as a mechanism for altering power relationships can act positively on the bargaining process if the bargainers develop trusting relationships, share information, limit ideologies, and establish a consensus on what role each actor is to play in the bargaining process. Furthermore, the understanding and coping with man's frailties which are inherent in the bargaining process can only lead to a cooperative spirit and to the optimum mix of rewards and threats. Then coercive persuasion becomes more palatable in the bargaining process.

¹⁰ Benjamin J. Taylor and Fred Witney, *Labor Relations Law* (Englewood Cliffs, N.J.: Prentice-Hall, 1975), p. 7.

On the other hand, coercive persuasion can act as a deterrent to the bargaining process if the bargaining agent relies primarily upon threats to alter the power relationships. The use of threats creates an emotional climate in which communication channels become blocked, perceptions are distorted, intransigent attitudes occur, and the issues involved in the conflict are misunderstood. The result is decreased accommodation and compromise.

In this labor dispute coercive persuasion had a negative effect—misperceptions by both the growers and the union, misunderstanding of the issues, and negative attitudes. It aroused emotions which inhibited logic and reason from establishing a creative working relationship between the growers and the union. The psychological factors aroused mixed emotions and blurred the conflict between the growers and the union. Let me explain how these factors impeded the bargaining process.

The growers who came to the fields of California around the turn of the 20th century were mostly Yugoslavs, Italians, and Greeks. They immigrated with little money, of their own free will, and, as one grower said: "That to break desert ground and fight rain and wind and frost for five years before you pick one grape takes a certain kind of man—a rugged individualist, a kind of Marlboro man."¹¹ When the union was organizing, the growers began to worry when they heard the union's Zapata-type rhetoric of: "We must turn our minds to the power of the land. If the land itself, however, cannot be owned by the people, its management and its production must at least be controlled by them."¹² Under a capitalistic system, such socialism is unthinkable, especially to the growers who for the most part are from European countries and loathe socialism and communism. They read in the newspaper that ". . . Chavez and his bunch is associated with SDS and the third world liberation. . . They are not just the normal type of labor union. They have been associated for years with trained radicals and they talk the language of social revolutionaries. They talk about our vineyards and agrarian reform. . ." ¹³ Other growers in the agricultural valleys voiced similar perceptions of the union as follows: "The Chavez movement is 90% religion and civil rights and 10% trade union."¹⁴ All of these perceptions helped form the negative attitudes. The negative attitudes were further solidified by Chavez's fasting, praying, organizing, and flaunting of religious symbols before the growers. In a climate which historically has been uncooperative towards any farm labor unionization

¹¹ Steven V. Roberts, "Grape Growers Disagree on Talks with the Union; Feel that Public Misunderstands," *New York Times*, July 6, 1969, p. 33.

¹² Armando B. Rendon, *Chicano Manifesto* (New York: Collier Books, 1971), p. 148.

¹³ Roberts, p. 33.

¹⁴ "From Fruit Bowl to Salad Bowl," *Time* (September 14, 1970), p. 18

attempts, this attempt at unionization was viewed as a Trotskyite conspiracy that had to be crushed.

An attitude that played a major role in this conflict was the lack of understanding of the fundamental issues. On one hand, the growers' attitude was that as management they were in a labor dispute; however, the union's attitude was that the "La Cause" was to bind all rural and urban Mexican-Americans in a power unit.¹⁵ These bipolar views tinted reality and helped to perpetuate the negative attitudes.

The collective bargaining process did not fail in the California farm labor conflict; it was inhibited from innovation and experimentation by both the growers and the union due to the misperceptions of the conflict which were exaggerated by the rhetoric of rewards and threats. These messages flowed through an intense emotional field which not only distorted the meaning of cooperation but also bred intransigences and led both the growers and the union to exhibit ostrich-like attitudes.

Presently, the whole bargaining process between the growers and the union is blocked by the negative attitudes. Each is trying to surpass the other in pricking the conscience of their community by threats; thus they keep missing each other in psychological space. Threats tend to block communication channels between conflicting parties and often result in irrational psychological behavior, making it extremely difficult for the conflicting parties to reach accommodations.

Although the collective bargaining process in the California's farm labor conflict has a challenge and an opportunity to become innovative and to meet the needs of both the growers and the union, the bargaining process must rid itself of the intentions, uncertainties, misperceptions, and intransigent attitudes that were created by coercive persuasion. If it does not, the collective bargaining process as a mechanism for controlling conflict behavior will have a difficult time in linking together the growers and the union who at the moment are ideologically incompatible.

Coercive persuasion can be a powerful tool to be used in labor-management relations and to settle labor-management disputes. To utilize this concept effectively, one must understand the effect of rewards and threats on a relationship. Only with this understanding does one obtain the optimum mixture of rewards and threats which will foster a creative use of coercive persuasion to accommodate the needs of both labor and management.

¹⁵ "Little Strike that Grew to La Cause," *Time* (July 4, 1969), p. 19.

DISCUSSION

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Vast undertakings, such as the California Agricultural Labor Relations Act, ought not be operated by half vast methods. In view of the documented handicaps it faced, that the CALRA achieved as much as it did seems remarkable. Today's papers, by Taylor, and by Mamer and Hayes, shed a great deal of light into the workings of the CALRA. For those whose research interests lead them into the dark vineyards of agricultural labor relations, appropriate indebtedness must be expressed to the two sets of authors who make contributions toward clarifying the California situation. Taylor's paper tells us that "The message coming out of the 418 CALRA elections is quite clear: Farm workers want to be represented by unions, and the most attractive union for the majority is the Cesar Chavez-led United Farm Workers." Taylor believes that in collectively bargained relationships there is a vehicle for establishing a degree of tranquility between labor and management in California agriculture. So much does he hold to this view that he has been willing to argue that "If the farmers of this nation allowed the agricultural work force the right to organize and bargain collectively, the farm wages would approximate the industrial averages, and translated into dollars this would mean a \$3 billion a year in increased labor costs computed on 1972 figures." This is a bit of journalistic simplicity which, though it gives professional economists bellyaches, can be tolerated, I suppose, and probably should be. What is less tolerable is his judgment that the 500,000 hired professional farm workers, those who earn most of their living in the fields, ". . . must compete with 2.3 million housewives, high school and college students, unemployed industrial workers, platoons of children, bus loads of winos off skid-row, and great swarms of illegal Mexican aliens." Not all of the 2.3 million compete with the 500,000; moreover, even if they should do so their rights to earn income are not necessarily inferior to those of the full-time workers.

I find Taylor full of the fire of the moment and a bit short on analytics, but these shortcomings seem to characterize journalism at large. I offset my negative views on his effort by expressing admiration for his basic decency and deep concern for the welfare of those he so movingly writes about. Few people can capture in words the great struggles in the California agricultural areas as well as Taylor. Moreover, I share many of his prejudices and concerns. But deep down inside my

being I know that somewhere in California agriculture there must be growers and managers who do try to be scrupulously fair in their working relationships with their employees. And I presume that these growers and managers are not altogether free to ignore the economic forces that impinge upon their operations. What I want Taylor to do is to recognize the legitimacy of at least some of the opposing views to unionization.

On to the second paper, by Mamer and Hayes. I find it an effort to grind no axe, to contain no sparks, and to routinely set forth the record of the CALRA in its first year of operations. Mamer and Hayes represent the good efforts that the Agriculture Extension Service can do, and they should be applauded for their dispassionate effort and for their even-handedness. I am certain that bringing up the muck is better left to journalists who are best equipped for combat operations. But for sober reflection and factual accuracy, Mamer and Hayes appeal to me. Those persons who are interested in understanding the situation that confronted the administrators of the CALRA should consult the Mamer and Hayes paper.

The third paper, by Giallourakis, is a bit beyond me. I frankly do not understand what he is trying to convey other than the basic fact, which seems intuitively obvious, that how people talk to and about each other has an impact on the relationships they try to achieve. I see no real analysis in his effort. Instead I find only claims of analytical approaches. I believe his paper needs much more work and that in its present form it is not a contribution to the debate on the state of labor-management relations in California agriculture.

As a parting shot to this session let me argue, with only sketchy evidence, that I do think the labor struggles in California agriculture have produced a more positive personnel policy on the part of growers in states other than California. The threat of unionization has typically carried just that sort of effect elsewhere. If the CALRA can be made to work, then there may be much good that can be achieved throughout the nation as a consequence of the successes in California, and perhaps the good can be achieved without unionization.

To bring the California agricultural labor relations situation before the members of the Industrial Relations Research Association has been, to my mind, a good deed. Those who were thoughtful enough to include the topic in the agenda must be thanked.

IV. CANADIAN NATIONALISM AND U.S. UNIONS

Labours' Manifesto for Canada: A New Independence?

RONALD LANG

Canadian Labour Congress

Political events of the past year, specifically the federal government's anti-inflation legislation, propelled the Canadian Labour Congress headlong into what has been the most tumultuous and turbulent time in its 20-year history. Indeed, it all began in January 1975 when the consensus talks were initiated by John Turner who was the Minister of Finance at that time. From this point forward the CLC has quickly become the labour movement's most important institution in Canada.

To the outside observer it may appear only right that the national body of organized labour would be its most authoritative (similar to the TUC in Great Britain, the LO in Sweden, or indeed the AFL-CIO in the United States), but this has not been the case in Canada. Quite the contrary, however, for it must be understood that Canada's federal system of government has produced strong provincial governments at the expense of the central or national government in Ottawa. Only 8.2 percent of the nonagricultural workforce comes under the legislative competence of Ottawa with respect to labour relations and labour standards so that this fact alone has relegated the role of the CLC to a relatively minor one. Historically the CLC has been important to its affiliates in settling jurisdictional disputes; representing labour on federal boards, agencies, commissions; and presenting briefs on unemployment insurance, the Canadian Pension Plan, and other issues coming under the federal government's authority.

Anti-Inflation Programme

It is now a part of history that on October 13, 1975, the federal government announced its intention of legislating wage and price controls. Similarly, it is also well known that the CLC has waged, and

continues to wage, an unrelenting campaign of opposition against those controls for reasons that are also well known and which do not need to be enumerated in this paper.

What is important however, is the need to recognize the basic structural changes that have taken place as a result of the wage controls programme. The federal government, through its anti-inflation legislation, set in motion a number of forces within and without the labour movement that are neither fully appreciated nor understood. Perhaps the most important of these is the centralization and politicization of the labour movement in Canada.

The wage control legislation was the first time in times of peace that a government moved to control the end result of collective bargaining. Historically government rested content with intervention and regulation of the *procedures* under which collective bargaining could and would be conducted while leaving the price of labour to be settled by the two parties—labour and management. Again, to the outside observer this may not appear to be a drastic shift in government policy. For trade unions, however, it was striking at their very *raison d'être* and source of strength.

Although no formal changes have been made, by convention, to the CLC's constitution and by-laws, the CLC has fallen heir to new responsibilities and for the exercise of powers that inevitably go with them. As an organization that was brought into being by the affiliates to represent them at the national level, the CLC, as the national voice of labour, has had to accumulate very quickly powers that it has never before needed. It must be understood that on October 13, 1975, Ottawa gathered unto itself powers over all forms of contract, both individual and collective, including collective bargaining. No longer were prices, profits, wages, and salaries a matter of provincial concern. The result of Ottawa's action was that the Canadian Labour Congress was caught at considerable disadvantage when the programme was announced. The reason for this is simple. As a national organization the Congress had grown with its historical responsibilities which, as mentioned previously, were minimal. With tremendous suddenness then, October 13 meant that for organized labour the CLC had not only become its most important body, but one which had to respond to the tremendous concentration of powers in the federal government with a concentration of its own. As an economic and political institution, then, the structure of the trade union movement had to expand to meet the new needs which were thrust upon it by its governmental opposite.

This is the long and often agonizing adjustment through which both the CLC and its affiliated organizations have been going. In this con-

nection there have been more meetings with the government, the Executive Committee and Executive Council of the Congress in the past 18 months than in any other period since the CLC was formed in 1956. There have been four meetings of all the ranking officers of the affiliates alone, which in itself suggests the intensive internal activity of the recent past. The fight against wage controls has made it necessary for the affiliates to acknowledge the CLC as a national organization that speaks for them. A successful fight against wage controls has forced a new cohesiveness among the CLC affiliates and compelled the CLC to take the leadership and initiative. The powers which the affiliates are willing to delegate to the CLC in the future will depend upon the continued initiative and leadership qualities which the CLC displays, again, without the need for constitutional acknowledgement.

In this respect it is significant to differentiate between the formal and informal delegation of powers, for the latter can, through time, be more profound than the former.

The delegation of powers to the CLC has been of the informal variety but nevertheless significant. As such, an important side-effect of the Congress's opposition to the wage controls has been the rapid rise in the Congress's credibility in the eyes of the affiliates and the workers whom they represent. For the first time in the history of the CLC the rank-and-file trade unionist speaks of the Congress as his or her CLC. It is no longer a remote body somewhere in Ottawa; it is close; it is immediate; and it is their one strong defense against arbitrary government. The net result of the fight against wage controls is a Congress with more authority than ever before.

Future Centralization of the CLC Structure

The adoption of *Labours' Manifesto for Canada* at the 1976 Quebec Convention sets the stage for an even more centralized and powerful Congress in the future.

From the many discussions and meetings which the Congress had with the Prime Minister and his Cabinet prior to the Quebec Convention, it was clearly the intent of the federal government to assume a much greater role in running the nation's economy. It was also clear to the Congress that the federal government had no plan of action or policy to follow the wage control programme when it was scheduled to end in October 1978. In the light of this knowledge, there was tremendous pressure upon the Congress to develop its future goals and the strategy for achieving them. Furthermore, it was also imperative for the Congress to move from the completely negative position of outright opposition to wage controls to a positive position which offered a real and viable

alternative to Canada's economic ills. Not only was it important for the Congress to move to the positive in order to enhance its credibility, but it was extremely important from the viewpoint of having a position staked out for the future discussions with the federal government on the "decontrols" issue.

Contrary to what a number of outside observers have stated, i.e., that the *Manifesto* was a hastily conceived document, in reality it was the culmination of intensive discussion and thinking covering a five- or six-month period within the Congress and the governing bodies of the Congress.

In brief, the *Manifesto* is a demand for an equal voice for labour in the affairs of the nation. One of the major themes of the federal government in defending its anti-inflation programme has been that it was unable to get the cooperation of business and labour in fighting inflation. The *Manifesto* states that the price of labour's cooperation (through a tripartite structure which the *Manifesto* proposes) is an equal share in the decision-making powers over all forms of income including investments and profits; not wages and salaries only. The CLC's demand are for a full say in all areas of social and economic policy and the life of the nation.

This in itself is a major and significant step for those who exercise power and responsibility in the affairs of the affiliates—international and national alike. The demand for greater power in national affairs assumes the acceptance for the responsibility which goes hand-in-hand with it. In addition, the demand for greater power and responsibility moves the trade union movement in Canada out of its traditional mould of being primarily concerned with collective bargaining into what Jack Barbash calls "economic policy unionism."¹ To be sure, collective bargaining will continue to hold a central place in trade union activities. At the same time, however, the CLC is committed to pursuing the aims and objectives of the *Manifesto* which is, if interpreted correctly, advocating a national incomes policy.

It is inconceivable to talk about an incomes policy without talking about collective bargaining. The very fact that trade unions have adopted a policy in which they are willing to discuss collective bargaining within a tripartite decision-making body (if all other forms of income are also included within the terms of reference) is an acknowledgement that collective bargaining cannot be divorced from questions relating to the broader issues of productivity, investments, and national income issues.

¹ See *Trade Unions and National Economic Policy* (Baltimore and London: Johns Hopkins Press, 1972).

What form or forms collective bargaining will take, or what modifications will be undertaken, are a matter for negotiation and compromise. The fact that these negotiations will take place nationally under the CLC umbrella will mean a greater delegation of powers to the CLC. The 1976 Quebec Convention committed the affiliates to this end for as the Manifesto states:

In the future the CLC must have the power which can only come from the collective strength of its affiliates. There must be agreement between all the affiliates that a full cooperative and coordinated effort will be forthcoming to guarantee that the CLC is operating from a position of strength to protect the rights, freedoms and legitimate interests of all workers. The Executive Council as the responsible decision-making body between Conventions must be assured that the policies and decisions it makes will be followed closely by the affiliates.²

Implications of the Manifesto for Canadian Labour

The federal wage controls have had a tremendous shock value on the trade union movement in Canada. If proof of labour's real lack of power was needed, the anti-inflation programme supplied it. Time after time the union movement, and the CLC in particular, have been compelled to stand by while the Anti-Inflation Board (AIB) rolled back the negotiated settlements of its affiliates. The real lack of political clout was there for the whole world to see. The federal wage control programme brought the labour movement face-to-face with reality and drove home the fundamental point that as long as the power of labour remained fragmented among 105 affiliates and from there among their numerous local unions, labour was vulnerable.

Faced with the obvious, the *Manifesto* was a rational and logical policy position to adopt. Furthermore, Canadian labour has had to defend itself against a concerted propaganda effort by government that wages have been the major culprit in causing inflation. Also, that Canada's competitive position abroad was being jeopardized by labour costs that were outstripping productivity gains. In addition, there is a real concern among trade unionists that Canada's high rate of inflation and unemployment must be solved. The traditional collective bargaining techniques are incapable of coming to grips with these issues.

By opting for "economic policy unionism," the CLC has chosen a course which in time will further remove it from the sphere of influence of the trade union movement in the United States. Indeed, the *Manifesto* assumes an autonomous Canadian trade union movement; one

² *Manifesto*, p. 11.

which has complete freedom of choice over all areas of policy-making and policy implementation. This is not to suggest that great movements away from international affiliations will shortly be taking place among Canadian sections of international unions. What it does mean, however, is that, through time, the affiliates of the Congress will be obliged to make decisions and to support the policies, proposals, and recommendations of their representatives in the tripartite structure. To do this, the affiliates will require the freedom and latitude of self-determination that only autonomy provides. The pressures of Canadian nationalism and the policies adopted at past CLC Conventions with respect to self-determination for Canadian sections of international unions make this goal a realistic one.³ Whether autonomy is achieved through a constitutional amendment of the particular affiliate or by the formation of a separate Canadian union is a matter for each affiliate to determine.

In the broader area of international comparisons, the *Manifesto's* aims and objectives move Canada closer to the trade union movement of Western Europe. The specific structure of tripartism will have to reflect the uniqueness of the Canadian identity, but in overall emphasis the Canadian trade union movement, in terms of national policy, structure, and functions is starting down a path which will see it more closely resemble the trade union movements in Western Europe than the United States model.

The *Manifesto* of course, has implications which reach far beyond the internal impact that it will have upon the CLC structure. Its influence, even in these early stages, is being felt by the business community, government, and labour's political arm, the New Democratic Party.

What in effect has happened has been that a new power centre has been created in Canadian society since the wage control programme came into force. This new power centre has, at the same time, formulated a policy that calls for a restructuring of Canadian society in the interests of national social and economic planning. This in turn has meant that every other institution in Canada, including government, is being compelled to react to the new political reality created by this shift in power.

For the business community it means that it must restructure itself by creating a national organization that reflects the business viewpoint and that can act on behalf of all business. No longer will business be permitted the luxury of "corporate anarchy" where each corporation can liaise with government on an individual basis.

For government the new reality of a more powerful CLC means that it can no longer afford to ignore it in the formulation of government

³ See Appendix 1 for the CLC's policy on this issue.

policy, just as the British, Swedish, German, or U.S. governments cannot ignore the national labour centres in their countries. Because the CLC has developed a long-term economic policy where government and business have not, the onus is now on government and business to react to that policy. In this situation the early advantage must lie with the CLC, particularly when business is incapable of developing a cohesive position.

The strains which the *Manifesto* have placed on the New Democratic Party are perhaps the most traumatic of all for trade unionists, for they have a close and abiding relationship with the NDP as labour's party.

There have been a number of observations both within the labour movement and the NDP that the *Manifesto* represents a move away from the NDP by labour. The fact that the *Manifesto* makes no mention of the NDP has been advocated by some as proof of this abandonment. Nothing could be further from the truth, however. For those who are unfamiliar with Congress Convention proceedings, it is established practice to adopt a separate policy statement on political action. This statement was carefully worded and reads in part as follows: "The decision of the Convention to adopt a *Manifesto* calling for the effective participation of labour in the decision-making process can be more meaningful if there is a government in Ottawa pledged to social democracy."

The CLC is committed to supporting the NDP. The great dilemma for the CLC was: should it wait for an NDP government to be elected in Ottawa, or should it develop a long-term strategy to protect the interests of workers and the Canadian community in general? It opted for the latter course. The impact of this decision is that the NDP must now readjust and rethink its relationship to organized labour.

In Europe, tripartism has come into practice under varying political circumstances ranging from Conservative governments to minority governments.⁴ No matter what the political circumstances, however, tripartism in Europe forged closer links between the trade union movement and the parties of social democracy. There is every reason to believe that in terms of policy and research the same will hold true for Canada.

One of the great handicaps of the collective bargaining structure is that it has driven a wedge between the local unions' activities associated with collective bargaining and the broader arena of political participation. The collective bargaining structure is broken down into autonomous local bargaining units in a system where everything is negotiable. As such, we find a whole range of social security programmes being sup-

⁴ The reforms leading to tripartism were enacted under a conservative regime, the Christian Democrats in Germany, the Socialist coalitions with the Liberal and Christian parties in Germany and Austria, and under minority governments in Sweden.

plied by the employers via collective bargaining. At the same time, however, labour is supporting a political party pledged to legislating, on a universal basis, the very programmes which the collective bargaining system has already given to organized workers. What we find therefore is a "liberal technique" whereby organized workers look to the individual employer to supply the social programmes which the social democratic philosophy argues must be supplied on a collective basis. In brief, the system of collective bargaining has been working at cross-purposes with labour's political programme.

The *Manifesto* means a more highly politicized trade union movement that will bring the impact of government on all social and economic matters right down to the local union level. No longer will government be able to escape its responsibilities and no longer will trade union members be able to escape the fact that social security benefits are not solely a matter for the individual employer to supply through collective bargaining rather than government through legislation. The *Manifesto* will more closely harmonize the collective bargaining system with the realities of parliamentary government and the party system.

Conclusions

It is still too early to understand what all the ramifications of the *Manifesto* will be either on the trade union movement or Canadian society.

Through time, if the objectives of the *Manifesto* become a reality, the Canadian labour movement will undergo a fundamental restructuring from its present highly fragmented organizational structure to one of greater cohesion and centralization. Events of the past 11 months are a clear indication of this trend. The adoption of the *Manifesto* is, in itself, a visible manifestation of the higher profile and stature of the CLC.

The CLC has demonstrated a capacity to take up the challenge of the federal government. If it can continue to accumulate the necessary power and authority to push the objectives of the *Manifesto* to fruition, this will mean that the CLC will be in a position of primacy within the labor movement in terms of its capacity to influence the affairs of the nation. This monopoly position within the trade union movement will be an added inducement for affiliates to stay within the House of Labour, lure back those that have left, and attract those groups that have never affiliated themselves with organized labour. In time, it may be the means for forging closer links among the major labour bodies in Quebec and the CLC, for the realities of Canada's federal system of government are such that the provinces will have their part to play in tripartism also.

In the international field the CLC has demonstrated its freedom of action in its support for the ILO and the ICFTU. In addition, the CLC

vociferously opposed the war in Vietnam and the Burke-Hartke bill, both of which were supported by the AFL-CIO.

By continuing support for the New Democratic Party and by pursuing the goals of "economic policy unionism," the independence demonstrated by the CLC on the international scene will be transferred to the domestic scene as well. The clear cut differences in terms of structure and policy will gradually become evident with the passage of time, for it will stamp the Canadian labour movement as a separate, autonomous, and distinctly different movement than its counterpart south of the 49th parallel.

The *Manifesto* represents a coming of age for the Canadian labour movement, for it has chosen to develop in a manner that is distinctively Canadian, based upon the realities with which it is faced. True, tripartism was pioneered by the trade union movements of Western Europe, but the Canadian variety will be refined to suit the Canadian uniqueness. This will be accomplished through negotiation, compromise, and the passage of time. The process will require flexibility and the capacity of the affiliates and the Congress to make decisions as autonomous organizations. This does not mean that all international relationships will have to be severed. It will merely mean that the Canadian sections of international unions, while retaining their ties, must nevertheless be free to carry out the new obligations, responsibilities, and commitments which will be thrust upon them.

Appendix 1

The May 1970 Convention of the Canadian Labour Congress passed a resolution establishing Canadian standards of self-government for affiliated international unions. These standards were reaffirmed and expanded at the 1974 Convention, and now include five requirements:

- Election of Canadian officers by Canadians.
- Policies to deal with national affairs to be determined by the elected Canadian officers and/or members.
- Canadian elected representatives to have authority to speak for the union in Canada.
- That where an international union is affiliated to an international trade secretariat, the Canadian section of that union should be affiliated separately to ensure a Canadian presence and voice at the international industry level.
- That international unions take whatever action is necessary to ensure that the Canadian membership will not be prevented by constitutional requirements or policy decisions from participating in the social, cultural, economic, and political life of the Canadian community.

Politics, International Unions, and Canadian Labour

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A familiar textbook distinction between the trade union movements of the United States and Canada is in the realm of political action. While the AFL-CIO and its affiliates pay official homage to the nonpartisan and antisocialist doctrines of Sam Gompers, their Canadian counterparts endorse a socialist political arm, the New Democratic Party.

Like other apparent Canadian-American differences, the contrast is more theoretical than substantive. Since the New Deal era, American unions have backed the Democratic Party with far more solidarity than their Canadian brothers and sisters have mustered for the NDP. In Canada's 1974 general election, less than a quarter of union households indicated that they would support labour's chosen party. Despite the claims of some political scientists, Canadians may be farther than their neighbors of accepting nationwide political affiliations based on social class.¹

Emphasis on Canadian unionism's partisan activities also overshadows more conventional tactics by labour organizations. The roots of significant union organization in Canada in the 1870s can be found in attempts to formulate political demands and to present them in ritual "cap-in-hand" sessions to bored politicians. In Ottawa and the provincial capitals, the most salient role of union officials is to make representations to government officials of every kind.² Access to the wielders of power is always the goal of political activity; for union officials, it can also augment social status. Whatever their professed antagonism to capitalist politicians and business-dominated governments, union representatives have remained anxious to perform for and participate in the agencies of government even when their professed ideological position is a robust, class-conscious hostility.

¹The Gallup Poll, July 24, 1974, city by Robert Laxer, *Canada's Unions* (Toronto: 1976), pp. 268-69. See also John M. Wilson, "The Politics of Social Class in Canada: The Case of Waterloo South," *Canadian Journal of Political Science*, vol. 1 (September 1968).

²David Kwavnick, *Organized Labour and Pressure Politics* (Montreal: 1972) is a slightly eccentric study of CLC lobbying activity, making no reference to Congress involvement in the NDP or any of the complications which this engenders. On past policies of the TLC, H. A. Logan, *Trade Unions in Canada* (Toronto: 1948), pp. 399-420. I am also grateful to Senator E. A. Forsey for the chance to read his as yet unpublished manuscript on Canadian trade unionism to 1902.

By participating extensively in the nonparliamentary political system, labour in Canada also shows that it has not consigned all its eggs to the New Democratic Party. When the Canadian Labor Congress had helped to launch the NDP in August 1961, it solemnly reasserted its political independence, formally imitating the relationship of the Trades Union Congress to the British Labour Party. Senior trade unionists sit in the executives and councils of the NDP ostensibly as individuals. The NDP's parliamentary spokesmen have never enjoyed systematic liaison with CLC leaders.³ Despite much sympathetic legislation, NDP provincial governments have not generally enjoyed tranquil or even close relations with their official labour supporters. In Quebec, despite much radical, class-conscious rhetoric, leaders of the national and teachers' unions have displayed an almost syndicalist disdain for the exercise of electoral politics. Both the NDP and more nationalistic alternatives have withered to the profit of more traditional political parties.⁴

Similarities in the political practices and ideologies of Canadian and American unionism matter because they are fashionably disregarded and because they underline the irrelevance of the national-international debate. However, the textbooks are not wholly wrong and some differences do matter. The existence of a labour party in Canada demands explanation and the consequences of its existence invite exploration.

Processes once complete look inevitable. Historians have tended to treat the labour-NDP development as ineluctable. Canada's doctrine of "responsible government," with its concomitant of strict party discipline, left little scope for prolabor mavericks in either Liberal or Conservative ranks. British influences, pervasive in several generations of Canadian unionism, made the British Labour Party a recurring dream, even among conservative craft union officials. On the whole, Canadians have been more prone than Americans to seek solutions through government action. Canadian union leaders reflect a consistent national pattern when they favour state planning, government intervention in the economy, and the forceful expansion of the welfare state.⁵ Toryism, harried from the

³ See Desmond Morton, *NDP: The Dream of Power* (Toronto: 1974), p. 28 ff.; R. U. Miller, "Organized Labour and Politics in Canada," in *Canadian Labour in Transition*, eds. R. U. Miller and F. Isbester (Scarborough: 1971), pp. 216-24.

⁴ See Miller, "Organized Labour . . .," pp. 231-35; D. Drache, *Quebec: Only the Beginning* (Toronto: 1972).

⁵ For constitutional explanations, see E. A. Forsey, "The Movement Toward Labour Unity in Canada: History and Implications," *Canadian Journal of Economics and Political Science*, 21 (February 1958); Stuart Jamieson, *Industrial Relations in Canada* (rev. ed.; Toronto: 1973), pp. 68-69; Martin Robin, *Radical Politics and Canadian Labour* (Kingston: 1968), pp. 290-91. For other analyses, see E. A. Forsey, "The Influence of American Labor Organizations and Policies on Canadian Labour," in *The American Economic Impact on Canada* (Durham, N.C.: 1959), p. 145; K. W. McNaught, "J. S. Woodworth and a Political Party for Labour," *Canadian Historical Review* 30 (June 1949); John Crispo, *International Unionism: A Study in Canadian-American Relations* (Toronto: 1967), pp. 230 ff.

Thirteen Colonies in the wake of the Revolution, may have suffused Canada with a more organic and, eventually, a more socialist view of society than seemed appropriate to business or to labour in the United States.⁶

Between them, historians and political scientists can explain the labour-socialist link in Canada; they must also recognize that it is not yet taken for granted as it is in western European democracies. If British influences helped to create the NDP, have American influences, through international unions, helped to keep it weak? If class collaboration and "self-centred self-help" are the dominant philosophies of Canadian labour, are American union bosses to blame? If three quarters of Canadian unionists and their families cannot back the mild socialism of the NDP, have they been drugged by doctrines of business unionism? If 80 percent of Canadian unionists have yet to affiliate with "their" political party, how many have been barred by American-made union constitutions?⁷

The stage is set for yet another conspiracy of American imperialism. In a recent prize-winning study of American labour influence in Canada, Robert Babcock insists that labour radicalism was crushed as early as 1902 by the AFL-inspired decision of the Trades and Labor Congress to expel its Canadian-only affiliates. As a result, Babcock claims: ". . . both the Grits and Tories penetrated deeper into the working-class vote and siphoned off discontent which might otherwise have found expression and brought success to Canadian trade union politics."⁸ This assertion, by an able young American scholar, provides welcome fuel for Canadians desperate for evidence of American economic imperialism in their country. Unfortunately, it includes much conjecture and some nonsense and too much manipulation of historical data.

The advance of craft unionism in Canada after 1898 helped concentrate union membership among relatively affluent workers with little interest in root and branch reforms. At the same time, on both sides of the border, the new craft unions generated a galaxy of radical leaders, populist, socialist and communist. North of the border, they dominated the Canadian left for 30 years.⁹ The 1902 decision saved the TLC from capture by the Liberals, working through an array of paper unions. Gompersism did not prevent the TLC from launching a political party

⁶ The argument is presented in Gad Horowitz, *Canadian Labour in Politics* (Toronto: 1968), pp. 3-57.

⁷ C. B. Williams, "Trade Union Structure and Philosophy," in *Canadian Labour . . .*, eds. Miller and Isbester, esp. pp. 161-72; Laxer, pp. 259-62; Charles Lipton, *The Trade Union Movement of Canada* (rev. ed.; Toronto: 1973), pp. 339-40.

⁸ Robert Babcock, *Gompers in Canada: A Study in American Continentalism Before the First World War* (Toronto: 1974), p. 214.

⁹ Among those who come to mind are socialists like James Simpson, Ernest Winch, John Bruce, Angus MacInnis, James Buckley; communists like Tim Buck and Tom McEwan; and radicals like Bob Russell.

in 1906 and again in 1917; it was Canadian working class voters who cheerfully aborted both ventures. As Harold Laski concluded in 1916, Canadians were simply not ready for class-based politics, and Canadian union leaders lacked the influence and the arguments to change their minds.¹⁰ Indeed, the Canadian experience of the conflict and schisms brought by mixing business unionism and politics could have provided Gompers and his heirs with a rich array of texts. Even the creation of the NDP was impossible before a remorseless and debilitating struggle between the democratic left and well-entrenched communist influence.¹¹

It would be convenient but difficult to explain the political behaviour of Canadian unions on national-international lines. Certainly the craft-dominated TLC spurned the socialist Co-operative Commonwealth Federation in 1933, but so did the All Canadian Congress of Labour on the wholly spurious grounds that it was not "left" enough. The first labour organization to join the CCF, District 26 of the UMW, disregarded its international constitution but suffered no ill effects. CIO unions in Canada, often organized by young CCFers, routinely gave support to the party and officially endorsed it in 1943. Canadian members of the United Steelworkers have provided a major bloc of labour support despite the open hostility of the former USWA president, David J. McDonald. In his memoirs, McDonald blamed his 1966 defeat on the vengefulness of Canadian members.¹² His rival, I. W. Abel, campaigned in Canadian locals by recalling his youthful socialism. So did the late Walter Reuther, and it was an ill-kept secret that he was more sympathetic to the CCF and the NDP than some senior Canadian UAW officials, one of whom had run for the Liberals. Ralph Helstein, president of the former United Packinghouse Workers, was another international union leader whose youthful socialism and current political needs helped encourage his Canadian district to sustain the CCF-NDP. The Canadians needed little urging.¹³ Further examples could be found among clothing and textile unions, and the International Woodworkers of America. On the other

¹⁰ Cited by Robin, p. 290. For work on the consequences of the 1902 decision, I am indebted to Gene Homel, currently working on a study of the career of James Simpson.

¹¹ On the political struggles, see Robin, pp. 237-73; I. M. Abella, *Nationalism, Communism and Canadian Labour* (Toronto: 1973), ch. 3; Walter Young, *The Anatomy of a Party: The National CCF* (Toronto: 1969), pp. 273-84.

¹² David J. McDonald, *Union Man* (New York: 1969), p. 323. On union participation, see Horowitz, pp. 71-72, 235; Paul MacEwan, *Miners and Steelworkers: Labour in Cape Breton* (Toronto: 1975), pp. 196-98.

¹³ Horowitz, pp. 234-35. On Reuther and the CCF in UAW politics, see David Moulton, "Ford Windsor 1945," in *On Strike: Six Key Labour Struggles in Canada, 1919-1949*, ed. I. M. Abella (Toronto: 1974), pp. 150-53. On Helstein, interview with F. W. Dowling, February 1975.

side, most construction trades, the railway brotherhoods, and the Teamsters are prominent among those international unions which have resisted the CCF-NDP link. There is no pattern. The fairest conclusion remains that of John Crispo who insisted some years ago that very few international unions offer serious resistance to Canadian members who want to follow their own political direction. Constitutional restrictions have become an alibi, not an effective barrier.¹⁴

Have nationally based Canadian unions behaved differently from the internationals? Again the evidence is mixed. The Canadian Brotherhood of Railway Transport and General Workers, archtype of national unionism, gives leadership endorsement but has persuaded few locals to affiliate. Most other national unions in the Canadian Labour Congress organize workers in the public sector and find that factor inhibiting in promoting political partisanship. National unions outside the CLC use the NDP's backing from international unions as justification for their own "Gomperist" nonpartisanship.

The fact that international links do not appear to have been a major factor in restricting organized union support for a Canadian party of the left will not prevent opportune prejudices from exercising their influence. If the links between Canadian labour organizations and their parent bodies in the United States come under concerted legislative or journalistic assault, the New Democratic Party will face difficulties. It was an assault on international unions which precipitated open warfare between the NDP and its New Left "Waffle" faction in 1972. Almost every issue affecting Canadian labour can expect to be twisted by the enemies of international unionism to serve some political purpose.¹⁵

Two examples may illustrate the potential strains.

Unions negotiating in the private sector will differ in their view of government and, hence, of political action from those bargaining with governments or their agencies. Currently five of Canada's ten largest unions negotiate in the public sector. Unions in the private sector normally desire government to serve as a benevolent neutral, holding the ring, providing machinery for negotiation, and upholding the rules. In public service bargaining, even a prolabor government becomes an adversary as it attempts to protect low-income taxpayers from the burden of a bulging public payroll. As the former NDP government in British Columbia painfully concluded when it legislated an end to labour disputes in the autumn of 1975, even some private sector strikes can have

¹⁴ Crispo, pp. 248-50.

¹⁵ See prescriptions offered by Robert Laxer, ch. 24, for disaffiliation from NDP, and M. H. Watkins, "The Trade Union Movement in Canada," in *(Canada) Ltd., The Political Economy of Dependency*, ed. Robert Laxer (Toronto: 1973).

unendurable economic consequences.¹⁶ In Quebec, where the Common Front strikes of 1972 were conducted in a mood of syndicalist revolution, the outcome saw many of the unions negotiating in the private sector splitting off to form their own central body. Similar strains could well divide the CLC. Since public service unions are almost wholly national while private sector bargaining is dominated by international unions, the split perspective almost accidentally occurs on national-international lines.

A second example is provided by the 1976 campaign of the CLC against Canadian government attempts to impose price and wage restraint. The repercussions of the anti-inflation programme, proclaimed on October 13, 1975, are almost limitless for the Canadian labour movement. One feature was the discovery by the CLC of its total political impotence. With a strong Liberal majority, a mere 16 NDP members in Parliament made no difference. Moreover, NDP governments in Manitoba and Saskatchewan accepted the federal programme with varying degrees of approval, having long since evinced a predictable socialist approval of restraint on income, profits, and dividends. With even the most left-wing unionists proclaiming their allegiance to "free collective bargaining," the outcome has seen at least partial disillusionment with labour's party.

While national-international union differences may appear to have no relevance to the CLC's battle with the Trudeau government—beyond the immediate and instinctive loyalty to American-style business unionism—the issue has intruded in the shape of the CLC's determination to reshape itself as a dominant centralizing force for Canadian unionism. To match a federal government which has used its emergency powers to transfer key aspects of collective bargaining from provincial jurisdictions, the CLC now claims the need for a comparable transfer from its affiliates. Its leaders claim that Canadian sections of international unions must repatriate authority from the U.S. head office so that it can be transferred to the CLC in Ottawa.¹⁷

It is a bold claim, sustained by the mood of Canadian nationalism in the country's labour movement and by the air of emergency generated by actions of the federal government. It is part of a broader CLC strategy to demand tripartite authority, with government and business, in the

¹⁶ See John Clarke, "Labour-Government Relations in B.C.," *Labour Gazette* (February 1976); Miller, "Organized Labour . . .," p. 237.

¹⁷ Joe Morris, "Towards a corporate state . . .," *Toronto Globe and Mail*, January 10, 1976, reprinted as CLC pamphlet. See D. Morton, "The Great Anti-Guidelines Crusade: A Second Opinion," *The Canadian Forum* (May 1976); for a prediction 15 years earlier, see Horowitz, p. 263; D. Morton, "Time to Talk: The Labour-NDP Marriage," *The Canadian Forum* (February 1976).

management of Canada's social and economic policy. In subtle ways, the Congress wishes to move from the class-conflict model of its socialist tradition to an integrationist involvement with the ruling forces of the state. In the process it would break all but the most nominal international links of its major affiliates and win an incredible accretion of power.¹⁸

In the foreseeable future, it is as improbable that the CLC leaders and their resident philosophers will get their wishes as that the Trudeau government will retreat before the general strike proposed for October 14. Centralization is as out of fashion in modern Canada as continentalism. Leadership positions in the CLC have never been among the glittering prizes of ambitious Canadian unionists, and the current Congress leadership is not generally strong. Its goal of a tripartite role in Canadian affairs certainly represents a short-term abandonment of a partisan approach much as experience of unfavourable state intervention has cooled any ardour for socialism. However, tripartism with business and a business-dominated government is a no-win proposition for labour. The need to win elections would only become more acute.

¹⁸ *Labour's Manifesto for Canada*, CLC pamphlet (Ottawa: 1976). For background, Rae Murphy, "Joe Morris and the big blue-collar machine," *Last Post*, July-August 1976, pp. 26-33.

The Politicization of Canadian Labor Unions: An Inevitable Phenomenon

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Introduction

The purpose of this paper is to provide some tentative explanations for the increasing number of political interventions that have characterized the Canadian labor relations scene over the last few years. The spontaneous and most popular interpretation of this phenomenon is that labor unions have become politicized. For our part, we think that this explanation does not deal with the real causes of the phenomenon, but rather with its most obvious consequence. What must be discovered is why unions have become politicized; once this is done, we should be able to understand the real causes of these political interventions which appear as disfunctional from the standpoint of the "conventional" industrial relations approach.

THE CONVENTIONAL INDUSTRIAL RELATIONS APPROACH

According to the conventional approach, three major actors can be identified within an industrial relations system: the workers and their organizations, the employers, and the government with its various agencies. Within this approach, the government is supposed to be acting in a neutral capacity. Its main responsibilities are to establish the basic legal framework and to provide conciliation and other specialized services to the two other actors.¹ As a result, the "political" environment is seen as dissociated from the "industrial" environment.

RECENT DEVELOPMENTS IN CANADA

During the last few years, Canadian labor relations have taken new directions that do not fit within the traditional approach. First, more and more labor unions are *defying injunctions* that have been issued to stop already illegal actions. Second, an increasing number of governments are enacting special *back-to-work legislation* which oftentimes unilaterally determines wages and working conditions. It must be stressed that such legislation has also been disobeyed by the workers, although less frequently than have injunctions. Finally, labor unions have

¹ It is not necessary to continue the description of this approach since the reader is certainly familiar with it. For more details, see John T. Dunlop, *Industrial Relations Systems* (Carbondale: Southern Illinois University Press, 1970).

developed a tendency to ask for *extraordinary political mediation* in many collective negotiations. Although such an occurrence is not new in industrial relations, its frequency in the last few years has reached unprecedented levels.

CIRCUMSTANCES UNDER WHICH POLITICAL INTERVENTIONS OCCUR

We can identify three major circumstances under which political interventions occur. In all cases, labor unions are usually accused of being "politicized" and of not taking care of the "real interests of their members." A first situation is one where, despite a legal strike, an employer continues to operate his business with the help of strikebreakers and managerial personnel. The union retaliates with mass picketing which sooner or later leads to violent incidents. The employer then easily obtains an injunction restricting the number of persons on the picket line. As a consequence, the strike can last for months, even for years, without affecting the employer. Such a situation usually leads the striking union to seek the support of the population and to ask for extraordinary political mediation. At that point we can no longer consider such a strike as an "industrial" conflict: It has become a hot political issue within a given community. Hence, the strike, which under the traditional industrial relations approach should bring forth a settlement through the respective imposition of costs to the parties involved, has failed to play its expected role.

The second circumstance involving elements of politicization can be found in the increasing number of strikes that are not technically legal, the most common case being the wildcat strike which is called in order to reopen collective agreements. When such illegal actions are enjoined by court orders, the latter are very often disobeyed and the union is condemned for contempt of court. At that stage, the conflict has once again reached the political level.

The third and most frequent occasion where a political intervention becomes inevitably tied to the outcome of collective negotiations is in conflicts affecting essential services. Although most of these conflicts occur in the public sector, some private sector conflicts do fall within this category. After all, with the passage of time, any service can become essential. That is why a prolonged strike in a vital sector of the economy, such as pulp and paper in a province like British Columbia, was enjoined through special back-to-work legislation.

The Conceptual Framework

Since the main focus of this analysis is on political interventions that are interfering with the conventional industrial relations approach, three

key concepts must now be defined. They are the sovereignty of the state, the nature of collective bargaining, and the role played by labor unions within Western capitalistic societies.

THE SOVEREIGNTY OF THE STATE

In any society, whether capitalistic or socialistic, there exists a final authority with ultimate (legal) coercive powers. This authority is rooted with the people, and it is what is referred to when one speaks of the "judicial" sovereignty of the state. In practice, however, such authority is vested in some designated representatives who exercise it over varying people and varying interest groups within that society. This is what is called "political" sovereignty.

In both types of society, there is a close connection between the major interest groups that wield considerable economic power and the designated representatives who assume political responsibilities. In other words, and despite the "judicial" sovereignty of the state, the final political authority which represents the whole community is not neutral.

THE NATURE OF COLLECTIVE BARGAINING

What needs to be emphasized here is the fundamental power relationship that lies behind the concept of collective bargaining. As Allan Flanders pointed out: "Collective bargaining is primarily a political institution because of [two] features: it is a rule-making process and involves a power relationship between organizations."²

Through collective bargaining, workers can challenge their employer's decision-making authority. However, in order to be effective in their challenge, they must muster enough power behind their demands at the bargaining table. It is always through conflict or the threat of conflict that workers' rights have been adequately protected and extended.

This fundamental power relationship between capital and labor has not always been perceived as such in North America. This is so because labor relations have been so institutionalized that conflicting elements were reconciled from within. The two most obvious devices that have made this reconciliation possible are the considerable limitations placed on the scope of bargaining matters, but mostly the decentralization or fragmentation of bargaining structures.

THE ROLE PLAYED BY LABOR UNIONS

Trade unions are a by-product of capitalism. Their origins are closely linked with the emergence of the capitalistic system of production. Their

²"Collective Bargaining: A Theoretical Analysis," *British Journal of Industrial Relations*, vol. 6 (1968), p. 8.

major goal has always been the protection of their members' interests. In North America, the most frequent means through which this task is assumed is through collective bargaining.

Historically, some trade unions have been willing to function within this capitalistic system of production, while others have not. The latter have been strongly critical of capitalism and have favored its replacement, in the longer run, by some form of socialism. However, whatever the ideological position of North American labor organizations, they all have engaged in collective bargaining with employers—at least for as long as the collective bargaining institution has existed.

On the other hand, in the course of their evolution, labor unions have always tried to adapt themselves to the changing structures of the employers with whom they bargain. That is why they have sought to modify bargaining structures in order to face the real decision-making locus of power on the management side.

FINAL REMARK ON THE CONCEPTUAL FRAMEWORK

As has been seen from the preceding description, our conceptual framework challenges two of the most fundamental premises of the conventional approach in industrial relations, namely, that the government, as one of the three actors within an industrial relations system, acts in a neutral capacity, and that the industrial world can be isolated from the political world.

The Real Causes of the Increase in Political Interventions

The arguments that will be developed below apply to the Canadian experience, but it is recognized that they apply to the American experience as well. In fact, we can say that the fundamental cause is rooted in the North American context as a whole, while additional factors can be found in the Canadian context.

MAJOR CAUSE: THE INADEQUACY OF THE LEGAL FRAMEWORK TO DEAL WITH THE NEW CONDITIONS OF WELFARE CAPITALISM

The major cause explaining the increase in political interventions stems from the inadequacy of the legal framework (which establishes the rules governing the relationships among the three actors within the industrial relations system) to deal with the new objective conditions of North American capitalistic economies. These new conditions are essentially the following: the growing concentration of decision-making centers within the business community, of which the multinational corporation is the best example; and the rapid expansion of the role played by the state within the economy, which has inevitably led to a tremendous

increase in the "size" of the public sector. On the other hand, the basic ground rules regulating labor relations between employers and employees were established at a time when these two conditions were practically nonexistent, that is, in the mid-thirties. Two of the most important characteristics of the basic legal framework are that, first, it was designed for the private sector of the economy, and second, it establishes bargaining units on a decentralized basis. Two examples can illustrate this point of view: First, let us take the United Aircraft strike at the Longueuil plant near Montreal, which lasted 15 months. According to provincial labor legislation, the union—Local 510 of the United Automobile Workers—had to deal with the management established at the Longueuil plant. When negotiations broke down and a strike was called, it did not really bother the company whose operations could be continued elsewhere, namely, in Hartford, Conn. If we also consider the facts that the company was able to move part of the work from its Longueuil to its Hartford plant and that it was already receiving special grants from both the provincial and federal governments, it is needless to say that the legal strike was a futile exercise by the union. The only chance the union had to enhance its position was to force the provincial government to intervene in one way or another.

The second example involves the public sector and the so-called distinction between the state-as-employer and the state-as-legislator. The Quebec experience has now clearly demonstrated (and other provinces are also going through the same evolution) that on many occasions when a labor union is involved in collective negotiations with the state-as-employer, it must try to influence the state-as-legislator in order to achieve its bargaining objectives.

These two examples demonstrate that the solution to the above-mentioned conflicts could not be found within the confines of the conventional industrial relations approach—an inevitable conclusion since the basic legal framework was not established to deal with these kinds of situations.

The major cause explaining the increase in political interventions applies as well to the United States as it does to Canada, at least in principle. The reason for this similarity is very simple: despite some differences as regards the structure and ideology of each labor movement, the collective bargaining institution has followed an almost identical evolution throughout the years.

The Structure of Collective Bargaining. There is no substantive distinction between Canada and the United States from the standpoint of the collective bargaining institution. Canadian labor legislation is based on the same fundamental principles as those established by the National

Labor Relations Act, initially enacted in 1935 in the United States. The only difference is that while in the U.S. the federal government has jurisdiction, in Canada such jurisdiction belongs to the 10 provincial governments, with the federal government being limited to the administration of a statute covering only those businesses of an interprovincial nature such as railways, the maritime seaway, etc.

The distribution of collective agreements by industry follows approximately the same pattern in Canada as in the United States. Trade union strength is concentrated in the same industries—transportation, mining, forestry, etc.—and so is its weakness, namely, in the tertiary sector, with the exception of public services.

Trade Union Structure and Ideology. Although the majority of Canadian trade union members are affiliated with international unions, there has been a gradual decrease in the relative share held by international unions over the last 10 years. For example, while this share was 70.2 percent in 1966, it had fallen to 53.2 percent of all Canadian union members in 1975.³ This trend will probably continue in the future, since the growth of public sector unions like the powerful Canadian Union of Public Employees (CUPE) has not yet reached its peak, and the movement toward more Canadian autonomy within international unions is certainly not about to be halted. The recent creation of the Canadian Paperworkers' Union is a typical example which will probably be imitated by other Canadian locals within the next few years.

From the standpoint of its ideological orientation, the Canadian labor movement outside the Province of Quebec can be seen as a duplication of the American model. The same conservatism exists within with Canadian Labor Congress (CLC) as within the AFL-CIO, despite the former's support of the New Democratic Party which is still in search of an appropriate ideology that would be somewhere between capitalism and socialism.

However, the picture is totally different in Quebec where two radical labor organizations exist: the Confédération des syndicats nationaux (CSN) and the Centrale de l'enseignement du Québec (CEQ). These two organizations' criticism of capitalism is quite similar, and it is very close—not to say identical—to that formulated by the French Confédération française démocratique du travail (CFDT). Given their similar ideology, a merger of the two bodies is quite possible in the near future.

These two organizations, and mostly the CSN, represent the major challenge to international and national unions operating in Quebec. The respective memberships are 170,000 for CSN, 80,000 for the CEQ, while

³Department of Labor, *Labor Organizations in Canada* (Ottawa: Queen's Printer), p. xiv for 1966 and p. xxii for 1975.

international and national unions are representing very close to 300,000 workers, 270,000 of them being affiliated with the Quebec Federation of Labor, a provincial body chartered by the CLC whose role is similar to that of a state federation within the AFL-CIO structure.⁴

Even if the QFL has among its affiliates a vast majority of "bread and butter" unionists, its leadership must maintain a political platform that is not too far from that of the CSN and CEQ since the three labor organizations must make tactical alliances on many occasions, such as in the collective negotiations with the "unfriendly" provincial government.

Despite these ideological peculiarities of the Quebec labor movement, which singularly contrast with the rest of North America, the overall complexion of collective bargaining in "la belle Province" is similar to that prevailing throughout the U.S. and Canada.⁵ Consequently, since political interventions are not confined within the boundaries of Quebec, but have occurred frequently elsewhere in North America, we must disregard labor ideology as the major cause of these interventions and of the politicization of labor unions.

OTHER CAUSES MORE SPECIFIC TO CANADA

Power Centers Outside the Country. One important factor contributing to the development of serious difficulties in collective bargaining and which ultimately leads to an increased politicization of labor unions is the fact that the real decision-making authorities on both sides of the bargaining table lie outside Canada.

The case involving a multinational corporation has already been presented, but we want to emphasize the possible difficulties that can arise from the union side. Let us consider a few examples: A first problem is created in those situations where the international union may prefer to finance a strike called by some Canadian locals rather than to bring pressure on the U.S. management, since by doing so it can provide jobs to many of its unemployed members in the United States. A direct consequence of this policy to prolong the strike in Canada is the deterioration of the bargaining relationship and ultimately political intervention.

Another problem is created when, in some instances, Canadian local

⁴ The difference between 270,000 and 300,000 is due to the fact that affiliation with a provincial federation is made on a voluntary basis. Hence, there are some 30,000 CLC affiliates in Quebec who are not affiliated with the QFL.

⁵ It should be pointed out, though, that in his last presidential address to the CSN convention, Marcel Pepin suggested that his organization should seek changes in labor legislation which, if accepted by the government, would be in conformity with the organization's ideology. Among the proposals were the abolition of exclusive recognition, the establishment of open-ended contracts, and a permanent and unrestricted right to strike.

members are not even asked to ratify *their* collective agreement. This usually happens when a master agreement has been bargained in the U.S. and a new Canadian employer becomes covered by the jurisdiction of that union. This situation may be entirely normal according to American views of democracy, but it is highly criticized in some Canadian circles, namely in Quebec. Since in this province workers have the alternative of being represented by national unions that have a different conception of democracy, serious representation conflicts may emerge between the competing unions.

Greater Experimentation with Public Sector Bargaining in Canada. Another explanation for the number of political interventions in Canada comes from the fact that most Canadian jurisdictions have now granted full collective bargaining rights to public employees. By "full collective bargaining rights," we mean that the private sector model has been completely adopted in the public sector. Since the private sector model uses the strike and strike threat as the major ingredient to resolve conflicts of interest between employers and workers, it is obvious that the closer the public sector will be to the private sector model, the greater will be the incidence of strikes. Given that the distinction between the state-as-employer and the state-as-legislator is unrealistic from standpoint of collective bargaining, political interventions are thus not only inevitable but an inherent part of the game.

On the other hand, in the United States, public authorities have been generally reluctant to grant their employees full collective bargaining rights. The most frequent dispute-settlement mechanism is "fact-finding," which is not a terminal procedure and which ultimately rests the final decision in collective bargaining matters with a legislative body. Moreover, the different constitutional arrangement in the U.S. where there is a real division of power between the legislative and executive branches, facilitates the distinction between the role of the state-as-employer and that of the state-as-legislator in collective bargaining. Since the legislative branch can be controlled by a political party that is different from that which controls the executive branch, it is often more difficult for the latter to use the power of the former to enhance its position in bargaining.

Conclusion

In our considered judgment, political interventions in collective bargaining and the politicization of labor unions will be growing rather than declining in the years ahead for the following reasons: (1) The movement toward greater concentration in the economy will continue, probably at a more rapid pace. (2) The public sector will continue

its expansion, since the pressure from the population to get more socialized or public goods will grow. (3) Public employees will increase their lobbying efforts to have the private sector model of collective bargaining applied to the public sector, and they will be successful. (4) The most dynamic and militant Canadian locals will continue to challenge the conservatism and undemocratic procedures of many international unions.

One the other hand, there are also some fundamental institutional deficiencies that will increase the movement toward greater politicization of labor relations. As we have seen, the conditions under which the "traditional" industrial relations system could function have radically changed, and it is questionable whether the institutionalization of the strike—the workers' ultimate weapon—will still be possible under the new objective conditions of North American welfare capitalism.

DISCUSSION

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Several years ago when Ross and Hartman published their well-known comparative study of industrial conflict, they suggested that industrial relations in Canada and the U.S. were so similar as to constitute a single system. This perception, it seems to me, is still the dominant one held by most of my colleagues in the U.S. Two of the papers presented here, those by Professors Boivin and Morton, seem to generally reinforce their impression. Ron Lang's paper, on the other hand, points to some of the differences and goes further in arguing the need for more differentiation.

Without doubt, there are many similarities between the Canadian and U.S. industrial relations systems. It seems to me, however, that it is the differences which are more interesting, and because of the widespread impression of sameness, it is the differences which require more emphasis.

Here, I would like to point out some of the notable differences between the two countries and in the process make a few comments on the papers that have been presented.

In the 1920s Selig Perlman published his classic work *A Theory of the Labor Movement*. At its core, the book was an apologetic for the apolitical nature of U.S. unions as contrasted with the labor movements of Europe. As an explanation for the philosophy of U.S. labor, the thesis has rarely been challenged.

What is interesting to me is that one has a very difficult time explaining the philosophy of Canadian labor with reference to the Perlman thesis. In Perlman's famous terms, the policy of the AFL "fit" American conditions. In Canada, the "fit" has been and is very awkward indeed.

Capitalism's triumph has been less complete in Canada than it has in the U.S. Many Canadian labor leaders openly and unashamedly proclaim themselves socialists, and after a long debate (which continues today) the unified labor movement gave its support to the moderately socialist New Democratic Party in 1961.

Why the various central bodies of Canadian labor did not give their full and continuing support to a labor-socialist party much earlier is still a controversial issue. Professor Morton seems to think that the primary reason is that the Canadian electorate was unwilling to vote in substantial numbers for such a party. It is true that a few early attempts to launch labor-socialist parties did not meet with great immediate success at the polls, but instant success of such parties was

absent everywhere. In the U.S., "reward your friends and punish your enemies" was a viable strategy, but in Canada it was a dismal failure largely because of the parliamentary form of government and tight party discipline. Contrary to Professor Morton, organized labor's timid approval and quick withdrawal from party support was probably due in large part to pressure from the U.S. via the international union link. To many international unions a distinct Canadian political policy was a threat to the solidarity of the union as a whole. On this issue many Canadian nationalists have a credible complaint, it seems to me.

Although I have been persuaded of the importance of U.S. influence as a determinant of Canadian labor's political philosophy, due primarily to many specific examples of intervention, I must admit that there is still room for debate. To settle the issue, more detailed historical analysis is required.

Let me now turn to Boivin's paper. His basic thesis seems to be that North American labor is becoming increasingly politicized primarily because of the growth of large concentrations of corporate power (multi-nationals especially) and because of the expanding role of the state as employer.

Certainly the labor movements in the U.S. and Canada have become more politically active in recent years, and I agree that the two factors noted by Professor Boivin are important. But I believe that he, like Professor Morton, goes too far in downplaying Canadian-U.S. differences. In Quebec especially labor relations are more volatile and tumultuous than anywhere else in North America. Many aspects of the Quebec experience are unique.

Consider the evolution of the Confederation of National Trade Unions. This organization began as a federation of Catholic organizations. It was thoroughly dominated by the Catholic church. It was not job conscious; rather, it was interested in preserving French Catholic cultural identity. It preached not the adversary relationship but co-operation between Christian employers and employees. This orientation did not last, however.

Beginning in the 1930s, members of the federated unions began to demand that more be done for them. The federation began to become more militant. By the 1950s, it had become in most aspects a thoroughly Perlmanesque job-conscious organization. But this didn't last either.

During the 1970s the originally Catholic and pacific movement became increasingly radicalized. In recent years it has called for the downfall of what it believes to be a corrupt government, the end of American (and Anglo-Canadian) domination of the Quebec economy, workers' control of industry, and an unlimited right to strike.

No doubt, the increasing concentration of employer power and the expansion of government as employer has played a part in this evolution. But the politicization of the labor movement has gone much further in Quebec than in other parts of North America, and it seems to me that this is undoubtedly due, in large part, to factors unique to Quebec.

The CNTU has long been a member of the Christian International (World Confederation of Labor) and its evolution has been very similar to that of its sister organization in France (the CFDT). While not definitive, this parallel development is certainly suggestive. What part has religion, language, and ethnic culture played in the radicalization of labor in Quebec? To what extent has the international confederal link acted as a transmission belt for the diffusion of radical ideology? Until these and many other questions are answered, one must be skeptical of Boivin's conclusion that objective economic conditions rather than ideology per se have been responsible for recent developments.

I have only a few comments to make on Ron Lang's paper. Its basic theme is that the CLC has acquired more power and authority in recent years and that the Canadian industrial relations system is evolving in the direction of certain European models. There can be little doubt that change is occurring in the direction noted by Lang. However, I am not entirely convinced that the full realization of the changes that he envisions will be achieved. Will the CLC's new prestige and authority outlive wage and price controls? Will Canadian business really begin to exhibit a solidarity that it has resisted for so long? The answers to these questions are far from obvious.

DISCUSSION

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We have had placed before us three most interesting papers, all of which relate to a most fascinating, complex, provocative, and challenging development in Canadian trade union philosophy and structure. To a discussant, faced with a subject of such scope, the task of presenting a comprehensive response is quite formidable indeed. The fact that I am the last of the program participants and have been instructed to pick up some time makes the task before us just that much more difficult.

I will be placing before you two introductory remarks and following that some five observations which to my mind speak to the five central propositions set forth in the context of the three papers as a group.

On Matters of Introduction: While all three papers are complementary with respect to the development under analysis, they are quite divergent with respect to the analytical results—that is, while they are all analyzing philosophical, functional, and structural changes in the Canadian trade union movement, their forecasts of the direction and nature of change are fundamentally divergent.

I feel it is also appropriate to note that while we are billed in our topic title as “Canadian Nationalism and U.S. Unions,” I believe, based on what we have heard, that the topic title “New Unionism in Canada???” would be more accurate. However, to differ in presentation from the billed program is, I suppose, in the grand tradition of these types of meetings.

On Observations: (a) Boiled down to its essentials, we are experiencing a possible change in function, power, and philosophy of the national centre of Canada—the Canadian Labour Congress. Lang routes the source of this new unionism in (i) the internally generated labours’ manifesto for Canada proclaimed at the Canadian Labour Congress May 1976 convention, (ii) the imposition by the federal government of its wage and price controls program, and, as a corollary, (iii) the roll back of collectively bargained economic settlements under the wage and price control administration apparatus. To Boivin, these changes are the result of the inadequacy of our Canadian legal framework to deal with the new conditions of welfare capitalism. The result, according to Lang, is (i) direct participation of Canadian labour, specifically the Canadian Labour Congress, in a new tripartite structure for the purpose

of attaining an equal voice in running the affairs of the nation; (ii) a concomitant rise of power and influence of the Canadian Labour Congress at the expense of its affiliates, and (iii) a redefined role (and presumably a lesser role) for the conventional collective bargaining system in Canada. He says in effect that industrial relations in Canada is to relocate from affairs of the workplace and of the lunch room to the affairs of the nation and the chambers of government. To Boivin, we will witness the politicization of the Canadian trade union movement.

(b) Matters of trade union function, power, and philosophy are very fundamental aspects of North American trade unionism. Changes in these matters have not and will not come easily. This is not the first time that new ideas have challenged the conventional wisdom with respect to the functioning of the Canadian trade union movement. Actually, the dialogue today is relatively mute compared with similar discussions at earlier times. However, there is one very fundamental difference. Traditionally, the debate over function, power, and philosophy has been internalized within the House of Labour and the focal point for this discussion and debate has been the international trade union link between Canada and the United States. The issue has been the *perceived* consequences to Canadian trade unionists of maintaining or preserving that link and the function, power, and philosophy that flowed with it. The issue today is markedly different: it is the further entry of the federal government of Canada into the affairs of the industrial workplace and the lunch room. Here, I think both Lang and Boivin are on common ground with respect to causal factors: note Lang's reference to reaction, to roll backs, and Boivin's reference to a feeling of injustice by those in the workplace leading them to contemptuous acts against the authority of government and of the courts.

(c) The central question is whether this new penetration by the federal government of Canada will be sufficient to successfully propel the Canadian trade union movement on its course toward new unionism and to lead it to abandon what I believe to be a most deep-rooted and stubborn North American trade union function, power, and philosophy conventional wisdom. My answer is no, and the reason is because I cannot see continued penetration by our federal government into the affairs of the workplace and of the lunch room. In addition, the ability of our federal government to direct the affairs of the nation as they affect the Canadian trade unionist has been grossly overstated. They have been simply given much more preeminence than their position deserves. The reasoning for my negative view is, of course, more in the realm of the political economist than the scholarship of Canadian industrial relations.

(d) Canada is a confederation and its founding document, The British North American Act, divides the functions of government between the federal and provincial governments. In today's light it is a particularly troublesome document and, as one could expect, has been the focus of many quarrels between the federal and provincial jurisdictions on questions of who has the authority to do what. Our wage and price control program was one such subject, and the Supreme Court of Canada came down in favour of the federal government's jurisdiction. Our labour relations is divided between federal and provincial jurisdictions, and while federal jurisdiction is a priority field of industrial relations activity because of the nature of the industries involved, by far the majority of industrial relations transactions fall within the jurisdiction of the 10 provincial governments. This divided jurisdiction acts as the single factor preventing the federal government from assuming the permanent role in economic affairs that, at least by its actions, it wishes to do. The provincial governments simply are not prepared to give up that kind of authority, particularly to the current federal government.

(e) In conclusion, Lang and to some extent Boivin build their case for new unionism or "economic policy unionism" on a central government being in a position to direct the economic affairs of Canada and also of the workplace. I do not believe we have such a central government, and I do not expect that we will have such a central government in the future. That the Canadian Labour Congress in terms of function, power, and philosophy will change as a result of these experiences is highly likely. But I do not equate this with new unionism, economic policy unionism, abandonment of the conventional wisdom, the demise of collective bargaining, or even of the disutility of the Dunlop model for Canadian industrial relations analysis. Nor is it a result of the existence of the international trade union link.

In my opinion, the events of the past year are more accurately described as an "awakening" or a "realization"—a realization that through much of their lives our provincial and national centers have been without function, power, and philosophy and have not realized fully what their roles could be within the international model. The events of the past year have at last brought to life what have been most dull, timid, and inactive organizations. In my opinion, the Canadian trade union movement is maturing within the international trade union structure, not preparing to abandon it. In terms of function, power, and philosophy, the Canadian trade union movement will remain committed to positions supportive of the collective bargaining method. The "action" will remain in the workplace and the lunch room, not in the forums

of national economic affairs and the chambers of the federal government. Dunlopian analysis is as valid today in Canada as it ever was, and the Perlman dictum of "job conscious unionism" continues as the cornerstone of Canadian trade union mentality.

V. CONTRIBUTED PAPERS: GENERAL

Multiemployer Bargaining Among Local Governments*

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The emergence of collective bargaining in government has resulted in research into a variety of bargaining structure topics, including unit fragmentation, supervisory units, and management organization for bargaining. However, relatively little attention has been devoted to the general extent and shape of interemployer relationships and the conditions which foster or hinder their development. This paper is intended as one step to meet this need by presenting and discussing some findings from an exploratory study of interemployer bargaining relationships in four metropolitan areas.

Interemployer Bargaining Relationships

Very few interemployer bargaining arrangements have been reported among North American public employers.¹ The lion's share of this small literature has focused on the key success story of multiemployer

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¹ Cyrus F. Smythe, Jr., "Public-Private Sector Multi-Employer Collective Bargaining—the Role of the Employer Representative," *Labor Law Journal*, vol. 22 (August 1971), pp. 498–508; David L. Norgaard and Karl Van Asselt, *Cities Join Together for Bargaining: The Experience in Minnesota and British Columbia*, Strengthening Local Government Through Better Labor Relations series No. 10, Labor-Management Relations Service, September 1971; *California Public Employee Relations*, No. 19 (December 1973), pp. 25–28; and Richard Pegnetter, *Multiemployer Bargaining in the Public Sector: Purposes and Experiences*, Public Employee Relations Library series No. 52 (Chicago: International Personnel Management Association, 1975).

bargaining in government: the negotiations between the Minnesota Twin City Metropolitan Area Managers Association, representing 30 separate jurisdictions, and Operating Engineers Local 49 for a succession of contracts covering public works employees. In addition, there have been reported instances of employer association bargaining in British Columbia² and instances of multiunit bargaining in various federal agencies.³ There have also been two unsuccessful attempts to establish multiemployer bargaining with fire fighter locals, one in California's Alameda County⁴ and the other in some Minneapolis-St. Paul suburbs.⁵ These reports of public sector experiences demonstrate that there has been some experimentation with expanded negotiating units, but they tell us very little about the extent to which the phenomenon is practiced generally or has been attempted elsewhere.

Further, it is not at all clear on an a priori basis that multiemployer bargaining should appear as a widespread practice in public sector bargaining. On the one hand there are some significant incentives for local government employers in a particular metropolitan area to establish such relationships: The employers in each area compete for the bulk of their labor in the same local labor markets; this labor market competition means that individual employers look to other employers in the same area for comparative data to use at the bargaining table and are affected by the terms of bargaining settlements in nearby jurisdictions; and the employers in an area frequently may deal with locals of the same union for any particular occupational group. On the other hand, however, the fact that each local government employer enjoys product market monopolies and is an independent political jurisdiction with its own elected and appointed officials dependent for support on separate citizen-voter-taxpayer constituencies suggests that there are minimal incentives for interemployer bargaining cooperation.

The private sector bargaining literature⁶ presents a similarly bifurcated message. Some employers create and participate in interorganizational bargaining structures because they perceive that they can secure more advantageous terms acting in concert than individually, and these

² Norgarrd and Van Asselt.

³ Pegnetter, pp. 11-13.

⁴ *California Public Employee Relations*.

⁵ Pegnetter, p. 14.

⁶ For example, see Arnold R. Weber, ed., *The Structure of Collective Bargaining* (New York: Free Press, 1961); Arnold R. Weber, "Stability and Change in the Structure of Collective Bargaining," in the American Assembly volume *Challenges to Collective Bargaining*, ed. Lloyd Ulman (Englewood Cliffs, N.J.: Prentice-Hall, 1967); Jesse T. Carpenter, *Employers' Associations and Collective Bargaining in New York City* (Ithaca, N.Y. Cornell University Press, 1950); and Edwin F. Beal, Edward D. Wickersham, and Philip Kienast, *The Practice of Collective Bargaining* (Homewood, Ill.: Richard D. Irwin, 1976).

perceptions seem to be associated with several environmental conditions. First, the product market tends to be highly competitive and the employers' products are relatively undifferentiated. Second, the employers tend to compete for labor in the same labor markets. Third, the employers tend to be in close geographical proximity with one another. Fourth, the employers tend to deal with the same union or set of unions, and each employer tends to be small relative to the union. To test the validity of these general conditions, consider that employer association bargaining is the norm in the construction, trucking, garment, coal, and many big city local service industries (e.g., hotels, restaurants, laundry delivery), and in these industries most of the above conditions exist. However, employers in other industries (autos, electrical equipment, airlines, oil refining, chemical products) with different conditions have continued to bargain on a single employer basis. Of all these private sector conditions just specified, the only one which does not apply to the local government bargaining situation is the competitive product market dimension. However, the absence of competitive product market pressures may be more important than the presence of all the other conditions which may give rise to multiemployer bargaining arrangements in government.⁷

As a separate consideration, it is possible that while the official structure of local government bargaining may adhere to a single employer-single union paradigm, the actual structure may reflect interemployer cooperation via the exchange and use of bargaining information. Employer negotiators may be able to achieve some kind of structural integration across separate bargaining units through formal and informal exchanges of information with their counterparts in other jurisdictions. As a result, we decided to examine the information collection and dissemination practices of employers to see what kinds of interemployer decision connections, if any, emerged from these information exchanges.

Research Design

To assess the extent to which conditions arguing for and against multiemployer bargaining might be operating in the current local government bargaining climate, we selected for study the interemployer relationships established by local public employers in four geographically diverse metropolitan areas (each with a population in excess of one million): Bay City (in the New England Census region), Industrial City (in the Middle Atlantic region), Sun City (South Atlantic), and Lake City (East North Central). The majority of governmental em-

⁷ For a discussion of the conditions which increase the possibility of multiemployer bargaining units, see Smythe, pp. 507-508.

ployers in each metropolitan area have been engaged in collective bargaining at least since 1970 (and in one case since 1960), so there was a substantial (for the public sector) history of bargaining in each area. Because bargaining structures can differ by occupation and because different types of governmental jurisdictions are involved in teacher and nonteacher bargaining, we selected four occupations for examination: teachers, police officers, fire fighters, and general public works employees. This geographical and occupational diversity should improve the generalizability of our results.

We collected data from a sample of employer and union bargaining representatives for each occupation in each metropolitan area and from selected neutrals (i.e., mediators and fact-finders). The employers in the sample were selected on the basis of size because the larger governmental employers generally have lengthier bargaining histories. A total of 97 interviews were conducted during 1975 in the central city, the central city school district, the core county, and several of the larger suburban municipalities and school districts in the four areas. Each interview followed the same format, with the interviewers asking each respondent a set of questions about the interorganizational bargaining and information exchange relationships in which the respondent participated. Table 1 shows for each metropolitan area the number of local governments included in the study for which interemployer cooperation was an option.

Results and Analysis

The interview responses showed two distinct patterns of interorganizational cooperative relationships: The first involves bargaining structure, and the second involves the exchange of bargaining information.

BARGAINING STRUCTURE

Table 1 shows that we found *no* lasting interemployer bargaining alliances in these four areas. The employers in this sample maintain autonomous bargaining relationships, i.e., each of them handles the collective bargaining process on an individual basis and does not engage in association, coordinated, or coalition bargaining with other employers. The few attempts to establish coordinated bargaining serve to emphasize the prevalence of these autonomous relationships.

We discovered two efforts each in the Industrial City and Lake City areas of employers attempting to establish coordinated bargaining. In Industrial City in 1972 several suburban school district negotiators agreed to coordinate their positions on salaries during bargaining with the respective teacher union locals. This effort consisted of two elements:

TABLE 1

Metropolitan Area (Census Region)	Number of Municipalities	Number of School Districts	Number of Continuing Interemployer Bargaining Relationships	Number of Continuing Interemployer Information Exchange Relationships
Bay City (New England)	31	48	0	4
Industrial City (Middle Atlantic)	35	30	0	2
Sun City (South Atlantic)	27	1	0	2
Lake City (East North Central)	21	31	0	3

a common upper limit (apparently 5 percent) and no salary settlement without group approval. This informal coalition failed to attain its objectives as individual districts settled for more than the guideline without seeking group approval. A second Industrial City effort was made in 1973 involving primarily the blue-collar or public works employees represented by American Federation of State, County, and Municipal Employees locals of four area employers (the central city, central city school district, sewer authority, and housing authority). All the unions and employers negotiated together at the same bargaining table, and the ostensible goal was to bargain a uniform contract to cover the employees in the separate bargaining units. After a few meetings the effort dissolved, apparently because of a reluctance to make concessions for the sake of uniformity and because of interpersonal rivalries.

In the Lake City area there were also two coordination attempts. In 1973 at the central city's urging, the city, county, city school district, the area vocational education district, the sewage commission, and several of the suburban municipalities coordinated their bargaining efforts with various employee groups in that they agreed upon common settlement limits and the timing of their offers. The key employer negotiator involved believed that this effort was successful, i.e., the dollar cost of the settlements was smaller than it would have been in the absence of this coordination effort. However, in the next round of negotiations in 1975 this informal bargaining coalition never really came together, as each of the jurisdictions bargained and settled on an individual basis.

In addition, in the Sun City area in 1974 employer negotiators from the central city, two large suburbs, and the county discussed the possibility of establishing an official bargaining coalition with their fire fighter locals, but such a coalition was never established, apparently be-

cause of the difficulties involved in achieving bargaining uniformity across four different employment contexts.

A variety of reasons were offered by employer respondents for the prevalence of autonomous bargaining relationships, and these reasons can be grouped into two categories: the procedural difficulties of coordinating bargaining across numerous contexts, and a perception that interorganizational relationships would reduce the decision autonomy of the employers surveyed. Most of the respondents believed that securing and maintaining employer commitment to a united bargaining strategy across multiple employers with varying employment conditions would be a very complex and difficult task which would not necessarily result in an improvement in individual employer welfare. In addition, the respondents placed a large positive value on the political autonomy or decision-making discretion of their employing organization, and they perceived that an interorganizational bargaining relationship would reduce that autonomy in return for an uncertain outcome.

Consequently, we found very little interemployer bargaining cooperation in general and no continuing coordinative or coalitional relationships in particular. The history of the coordinative failures just described suggest that there are substantial centrifugal pressures in those interemployer interdependencies where member units retain their decision authority. In turn, these centrifugal pressures seem to be associated with differences in employment conditions across employers and with a concomitant unwillingness of both employers and unions to make changes for the sake of group uniformity in the absence of any compelling reason to do so. These results suggest that interemployer bargaining interdependencies, in spite of their potential benefits,⁸ will not be adopted by local governments until the perceived benefits clearly outweigh the perceived costs of reduced autonomy.

INFORMATIONAL EXCHANGE

In contrast to the autonomous nature of bargaining relationships, the employers surveyed had established a variety of interemployer connections for the purpose of acquiring and exchanging bargaining information. The most visible relationships are the 11 formal organizations (four in the Bay City area, three in the Lake City area, and two each in the Industrial City and Sun City areas) which exist in whole or in large part to facilitate the exchange of bargaining information (wage and fringe data, contract language, current negotiation developments, etc.) among member employers. While the existence of a few of these organizations antedates the emergence of collective bargaining, and while a few are

⁸ Pagnetter, pp. 21-26.

statewide organizations, all of them devote all or a major portion of their resources to the exchange of information among employers in the four areas.

These organizations vary considerably in the amount and types of services they provide their members. Some organizations have substantial income (primarily dues and fees from members) and their own staff to perform or facilitate information collection and dissemination services, while other organizations have no staff, almost no income, and do little more than hold periodic meetings to facilitate informal, face-to-face information exchanges (primarily "war stories"). For example, in order to prevent whipsawing, the 31 school district employers in the Lake City area school district negotiators association regularly report to each other via the association on the results of each of their own negotiating sessions. Negotiators for the suburban Industrial City area school districts meet regularly, under the auspices of the county association of school boards, to exchange negotiation development and employment condition information. At least five of these organizations regularly conduct wage and fringe benefit surveys and disseminate the results to members. As the foregoing examples may indicate, the most structured of these information exchange relationships exist among the school district negotiators in three of the four areas surveyed (in the Sun City area there is only one countywide school district).

In addition to these institutionalized information exchanges, the employers in each area engage in substantial ad hoc surveys of and discussions with other employers, usually via telephone, as the need arises. In these ad hoc exchanges the suburban employers appear to concentrate primarily on other suburban employers in the same metropolitan area and secondarily on other employers in the state; the central city employers appear to concentrate primarily on other large cities and secondarily on local metropolitan area employers. Also, most of the employers purchase substantial information via publications issued by trade associations, labor relations reporting services, and specialized government agencies. Finally, a special kind of information exchange process exists where consultant negotiators represent employers at the negotiating table. In each of the four areas, we encountered several people (usually lawyers) who perform negotiating services on a consulting basis, usually for suburban employers too small to support a full-time labor relations representative. These consultants establish de facto interorganizational information exchanges among the employers they represent.

The large number of continuing information exchange relationships stands in marked contrast to the absence of any continuing coordinated or coalition bargaining activities. These results suggest that the em-

ployers in this sample perceive some substantial benefits resulting from the exchange of bargaining information. However, these information exchange perceptions have not resulted in significant interemployer cooperation during the bargaining process, i.e., they have not led to changes in the official or actual structure of bargaining. The employers in this sample, then, are willing to incur substantial costs (money, time) to collect and exchange information relevant to the discharge of their bargaining responsibilities; they are unwilling to relinquish their bargaining decision autonomy to an interorganizational system in which group interests may supersede individual interests.

Conclusions

Many worthwhile claims have been made on behalf of multiemployer bargaining in the public sector: It protects against whipsawing, it avoids the costly duplication involved in repeated negotiations for similar contracts among proximate employers, it may result in greater expertise at the bargaining table, and it is a flexible arrangement which can be changed by the participants as they mutually see fit.⁹ However, the results of this study suggest that local government employers apparently perceive that these potential benefits are outweighed by the costs associated with a multiemployer arrangement. First, employer respondents anticipated considerable procedural difficulties in coordinating bargaining across several bargaining units with different employment conditions and abilities to pay and with different union leaders. These difficulties are compounded by different management structures and decision processes, even in contiguous jurisdictions.¹⁰ Employer respondents were especially dubious of the willingness of the participants to make bargaining concessions for the sake of uniformity in the absence of any compelling reason to do so (i.e., competitive product market pressures). Second, these respondents spoke of employer decision autonomy in strongly positive terms as a behavioral dimension worth preserving (or else perceived by their respective citizenries as worth preserving).

Finally, our interview responses produced some information which questions the value of multiemployer bargaining as a device to reduce costly duplication. It was readily apparent from the responses of both union and management representatives that many respondents had little or no desire to reduce such duplication because to do so would reduce their organizational stature or even eliminate their current livelihood.

⁹ Pegnetter, pp. 21-26.

¹⁰ For a discussion of this phenomenon in Los Angeles city and county, see David Lewin, "Local Government Labor Relations in Transition: The Case of Los Angeles," *Labor History*, vol. 16 (Winter 1976).

For instance, one consultant negotiator in the Industrial City area was strongly opposed to multiemployer bargaining because it would reduce the total number of negotiations and hence the market for his services. The reduction of costly, tax-supported, duplicated services may be a worthy goal, but at the same time it negatively affects the self-interest of large numbers of current and future union and management representatives, and this in turn encourages resistance to the concept.

In sum, multiemployer bargaining among local governments has been touted as a very worthwhile phenomenon. If our study is indicative of widespread bargaining realities, however, it suggests that it is a phenomenon whose time has not yet come.

A Manpower Planning Model to Link and Penetrate Key Components of a Local Labor Market

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While there are various models and techniques to forecast labor demand or supply, most of these deal with forecasting for the economy. There have been some attempts to forecast local labor demand, but they have seldom considered the supply side or how to match labor supply into both macro and micro labor demand.¹ Most forecasters consider either the area demand for labor at the industry or the firm level, but none looks at labor demand from the three levels: the area, industry, and occupation as filtered through the firm. The following forecast does just that. It considers the labor demand at both the macro and micro levels and concentrates upon the key components of that demand which can be linked to the local labor supply.

A better understanding of the labor demand/supply linkage will greatly assist local manpower planners under the Comprehensive Employment and Training Act (CETA), job developers for local manpower programs, and industry manpower planners who are faced with the staffing decision of whether to conduct additional training or hire persons who already possess the requisite occupational skills. The blending of a theoretical-functional model provides additional insight into the effect of employer training programs upon the structure and function of labor markets internal and external to the firm.²

Part of this model was developed based upon research which the author did in the Cleveland labor market on training programs of both

¹ S. C. Kelly, Thomas S. Chirikos, and Michael G. Finn, *Manpower Forecasting in the United States* (Columbus: Center for Human Resource Research, Ohio State University, 1975), chs. 5 and 8.

² Also see Barry Bluestone, "The Tripartite Economy: Labor Markets and the Working Poor," *Poverty and Human Resources* (July-August 1970), pp. 15-37; Peter Doeringer and Michael Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, Mass.: D. C. Heath, 1971); Sar A. Levitan, Garth L. Mangum, and Ray Marshall, *Human Resources and Labor Markets* (New York: Harper and Row, 1972), pp. 215-26; Clark Kerr, "Balkanization of Labor Markets," in *Labor Mobility and Economic Opportunity*, ed. E. Wight Bakke (Cambridge, Mass., and New York: MIT Press and Wiley, 1954), pp. 93-109; H. S. Heneman, Jr., and George Seltzer, *Employer Manpower Planning and Forecasting*. U.S. Department of Labor, Manpower Administration, Manpower Research Monograph No. 19 (Washington: U.S. Government Printing Office, 1970).

private industry and government.³ The refinement of the conceptual model, its illustration (Figure 1), and the computerized application to forecast the number of jobs occurred while the author was studying the ability of local governments to plan and deliver manpower services as prime sponsors under the Manpower Development and Training Act (MDTA) and later under the Comprehensive Employment and Training Act (CETA) of December 1973.⁴ While training and employment decisions were mainly the concern of private industry in the past, they are now more frequently shared with government agencies. At the local level, the CETA Planning Council makes decisions that determine which federally funded manpower training and employment programs will be funded in the local area. This affects the training of the local supply of labor and can either enhance or compound the hiring and selection problems of private industry.

The ongoing debate over public service job-creation programs costing billions brings once again to national attention the need to provide lasting, secure, and meaningful employment rather than what could become dead-end jobs continuously supported by the government.

The Demand for Labor

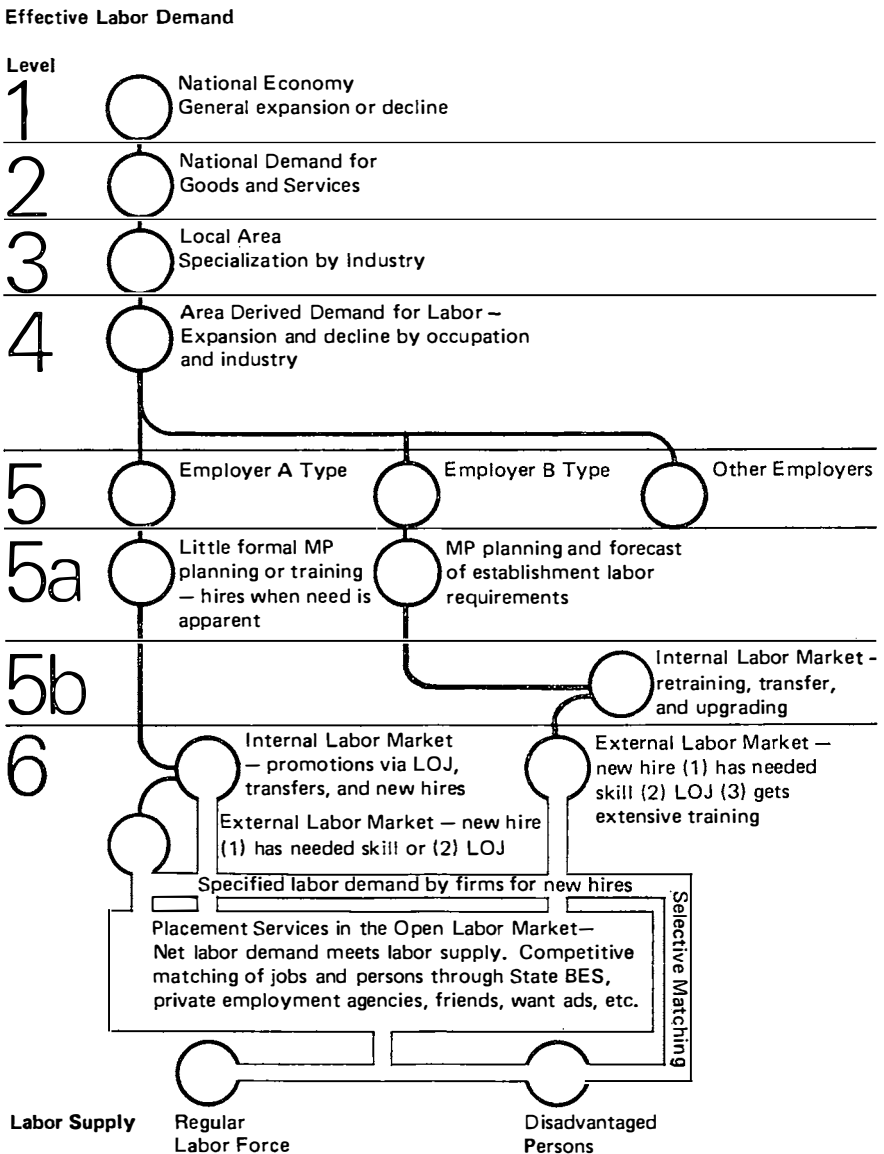
The demand for labor comes from employers in private industry or government. Some jobs have a national labor market, but the employee works at a local branch or division of the company in a local community. Even with nationwide employers, the jobs in any community depend either on how that local community participates in the national economy or on the role of that local division in total company output. Labor demand is derived from product demand; it varies according to production methods and the degree of competition in product markets.⁵ What is sorely needed is the upper half of this model to specify the general industry and occupational demand for labor and the linkage from one level of the economy to another and then to the individual employer (levels 1 to 4 of Figure 1). Finally, there is a need for a much better understanding of the internal and external labor market as it applies to specific employers and their specific occupational demand for workers (levels 5 to 6).

³ John L. Iacobelli, *Training in Private Industry*, U.S. Department of Labor, Manpower Administration, Manpower Research Monograph No. 22 (Washington: U.S. Government Printing Office, 1971).

⁴ John L. Iacobelli and Jan P. Muczyk, "The Cleveland Manpower Labyrinth on the Verge of Becoming a Planning-Delivery System," in *Implementing Comprehensive Manpower Legislation, 1974: Case Studies of Selected Manpower Programs*, U.S. Senate, Committee on Labor and Public Welfare (Washington: U.S. Government Printing Office, 1974), pp. 387-498.

⁵ Allan M. Cartter and F. Ray Marshall, *Labor Economics* (Homewood, Ill.: Richard D. Irwin, 1972), ch. 9.

Figure 1 - Penetration Manpower Planning Model :
Linkage of Key Components in an Area System



Abbreviation Key: MP - Manpower
LOJ - Learn on the job

By looking at the national economy first, the general expansion or decline of aggregate demand is determined, which becomes national demand for particular goods and services after the necessary adjustments are made for imports and exports (levels 1 and 2). Moving to the next level, that of a particular geographic area such as Greater Cleveland, there is a specialization of particular industries. Some industries grow even in a declining geographic area and vice versa depending on the demand for specific goods and services produced in that area. For example, Cleveland participates very heavily in the demand for automobiles, steel, and machine tools. The worldwide demand for these manufactured goods would increase the derived demand for labor to produce them in Cleveland.

The demand for services tends to be more local in nature. If Cleveland has a building boom, the demand for landscapers could be much greater in Cleveland than in an area that is suffering from declining construction. By projecting the industry specializations of a local area, planners are then prepared to see what the derived demand is for labor in those particular industries. Local labor demand also depends on other factors such as the state of technology, automation, and skill requirements in addition to the growth or decay of those industries. By using an industry-occupational matrix, it is possible to determine the detailed occupational distribution for each industry and the local area.

This computerized model simultaneously determines (a) the occupational demand for labor associated with the change in consumer demand for goods and services of various industries along with (b) the internal change in occupational mix associated with specific employer demand for labor to produce those goods and services under changing methods of production.

While this article focuses upon the linkage and the conceptual aspects of labor demand, the author realizes that the methodology for the computerized forecasting model is important and can even be improved. The forecast is a series of computer programs including a multiple regression analysis. However, that will not be discussed in detail in this article, since that methodology and computer output are discussed elsewhere.⁶ The following discusses the practical application and extension of the model.

The computerized segment of the model (levels 1 to 4) does a detailed area manpower forecast of labor demand broken down by industry,

⁶ John L. Iacobelli and Jan P. Muczyk, "An Industry-Occupational Forecast Incorporating Technological Change for Local/Regional Manpower Planning," *Academy of Management Review* (April 1976), pp. 121-26. Also see Iacobelli and Muczyk, "The Cleveland Manpower Labyrinth . . .," pp. 487-90, for sample forecasts and the forecasting methodology.

major occupational groups, and two sublevels of specific occupations within each industry and occupational family. The listing of projected occupational needs for a local area over the next 96 months covers 186 occupations and 47 industrial groupings. No industry contains all 186 occupations, but those occupations which account for 1/100 of 1 percent or more of an industry labor force were included. Over 2,000 occupational-industry projections are ranked in order from the greatest number of absolute increases through zero change and finally to the greatest number of decreases in occupational positions in Greater Cleveland. A separate listing also ranks the forecasts on a continuum based upon percentage increase to percentage decrease. The forecast can sort and identify the strongest growth (or decline) occupations for each of the 47 industries. It can also tally the net occupational demand for each of the 186 occupations across 47 industries.

Another important but neglected part of the manpower planning process is the way in which individual employers differ in their manpower planning and training practices. This is crucial in order to understand the linkage between the industry labor demand and the specific employer demand for particular types of labor, whether it be unskilled or those with particular skills, training, and experience. The model recognizes different types of employers but highlights two basic types: employer A, who engages in training avoidance, and employer B, who has extensive training programs.⁷ They may be in either government or private industry.

The employer A type does very little if any formal manpower planning or training. This type of employer hires when the need is apparent. He shows little concern about the path by which individuals acquire skills, and he acts as though he can always recruit a sufficient supply of qualified labor instead of having to train workers for his firm's specific job needs. His internal labor market is characterized by promotion of persons who learn on the job (LOJ) by doing the job or by being transferred from one job to another. LOJ is also called on-the-job training (OJT). His effective labor demand in the labor market external to the firm is for new hires who already have the requisite skills to perform the job or who can quickly learn on the job without the aid of formal company training programs, which are nonexistent in his company. This employer hires not only for entry-level jobs but for many middle and upper management positions because of his lack of formal training or

⁷ John L. Iacobelli, "Training Avoidance: Manpower Waste and Skill Shortages," in *Proceedings of the 24th Annual Winter Meeting, Industrial Relations Research Association* (Madison, Wis.: The Association, 1971); reprinted in Richard Rowan, *Readings in Labor Economics and Labor Relations* (Homewood, Ill.: Richard D. Irwin, 1976), pp. 527-32.

manpower planning programs. Very few of these jobs are insulated from the open labor market as shown in level 6 of Figure 1. This type of employer relies very heavily upon recruiting through help-wanted advertising, employment agencies, and by word of mouth. His basic tendency is to avoid training, and he will only train after he has exhausted all other methods of securing and hiring persons already qualified to perform the job.

The employer B type has extensive training programs and considers manpower to be a precious resource worthy of company development. He does extensive planning and forecasting of the establishment labor requirements. His contact with the external labor market is very limited because of his highly insulated internal labor practices. Internally, he engages in retraining employees, transferring them, and upgrading his current workforce through formalized training programs in addition to the normal learning on the job. He has extensive training programs and does long-term manpower forecasts ranging up to ten years. This employer focuses upon company training and recruitment through high schools, colleges, or private schools. His external labor market demand is characterized by the fact that his new hires get extensive company training once they are brought into the system. Although some of the new hires may already have the skills, almost all of the positions beyond the entry level are filled internally through extensive training and promotion of present employees (Level 5-b).

The type of training program is a main determinant of the openness or the closedness of the enterprise labor market. Having extensive training programs seems to influence the employer's choice of other methods to overcome manpower shortages, especially his hiring practices. By recruiting the most desirable graduates of colleges and schools the employer B types are able to attract people with proven ability to learn who can be further developed in the company's own training programs. They are hiring people with the greatest potential for the future of their companies and are skimming off the cream of the labor supply.

The computer model can forecast the area derived demand for labor through level 4. It is imperative to recognize how this derived demand for labor is filtered differently by an employer A or B type as we move through levels 5 and 6 to arrive at the differentiated demand by employers for new hires either with skills or to be trained. The way each employer operates his internal labor market has a unique bearing on his external demand for labor in the open labor market. This cannot be computerized and is subject to individual surveys and the understanding of hiring practices in specific firms, even though it can be generalized in the model. A better understanding of the employer A and employer B

types facilitates the development of selected manpower services and programs to meet the unique needs of individual employers. It is then possible to partially circumvent the open labor market and provide direct links between employers and manpower training programs.

Matching Effective Labor Demand with Supply in Local Labor Markets

One segment of the labor supply can be identified as those in the regular labor force who would normally seek positions through the open labor market using various placement services such as private employment agencies, the state employment service, friends, want-ads, etc. Another segment of the labor supply includes those who possess some labor market disadvantage, e.g., those who do not possess the requisite job skills, protected minority group members, females, youths, or any other target population which cannot successfully compete with the regular labor force.

Rather than provide a full set of manpower services, this model provides a strategy by which only selected manpower services can be given to a targeted population in order to meet the specified labor demand of an employer, enabling a targeted group to avoid competition with the regular labor force in the open labor market. This requires knowledge of the specific labor market forecast up to level 4 *plus* a knowledge of the demand side through levels 5 and 6, so that these targeted persons can be carefully matched into jobs where specific linkage can be established. Using the model and the forecast, a planner can identify occupations with a strong and continuing demand for which targeted populations can be employed and trained if necessary for an employer A type or not trained if the employer B type already has an extensive training program. Furthermore, the model and forecast enable the labor market analyst to select a list of high potential occupations for his particular manpower program and to avoid training for declining occupations. The target groups from the manpower supply can then be matched to the known detailed occupational demand with less effort, lower cost, and greater success. They can also be matched to occupations which have strong growth patterns rather than into short-term jobs which will disappear over the business cycle.

The labor market analyst selects from a list of strong growth occupations only those that best suit the needs of his target population or his existing manpower training program. He carefully avoids training for declining occupations where his disadvantaged workers cannot successfully compete with experienced regular workers who have been laid off. Once he identifies a strong growth occupation, he then conducts a spe-

cific labor market survey limited to those industries which employ that occupation as identified by the forecast. Last but not least, the manpower planner follows this occupational demand linkage through the internal labor market of both employer A and employer B types to get the net occupational demand, to which he finally matches his targeted supply.

Summary

This planning model provides: (a) the key components of labor supply and demand, (b) the specific linkage of macro and micro labor demand, and (c) the internal labor markets of different types of employers. These employers are modeled as employer A and employer B types. The model provides a strategy to use with the computerized forecast data so that only selected manpower services can be given to a targeted population in order to meet the specified labor demand of various employers.

Class and Race Discrimination: Estimates Based Upon a Sample of Young Men

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Recent data and research indicate that the traditional patterns of racial inequality of opportunity have changed.¹ The educational gap between the races has narrowed and employment discrimination appears to have significantly declined. However, the gains have not been equally distributed among the black population. For example, Freeman² found that while the ratio of starting salaries for black male college graduates had increased from .72 in 1960 to 1.00 in 1970, the ratio of the median income of all black males age 20–24 to that of white males age 20–24 increased from .67 to only .82 during the same period. This suggests that while employment discrimination against highly educated black males may have virtually disappeared, large numbers of lesser educated black males still suffer from significant racial discrimination.

To explore this hypothesis, we examine the extent of racial and class discrimination encountered by young men in the labor market and in the educational achievement process. The data employed in this study were taken from the National Longitudinal Survey (NLS) of labor market behavior conducted by the Ohio State University Center for Human Resource Research.³ The sample analyzed consisted of 1215 males age 18–28 in 1970, all of whom were out of school for at least one year and had positive earnings. The sample contained 1001 whites and 214 blacks.

¹U.S. Bureau of the Census, "The Social and Economic Status of the Black Population in the United States, 1974," *Current Population Reports*, Series P-23, No. 54 (Washington: U.S. Government Printing Office, July 1975); Richard B. Freeman, "Decline of Labor Market Discrimination and Economic Analysis," *American Economic Review*, vol. 63 (May 1973), pp. 280–86; Lowell E. Gallaway, *Manpower Economics*, (Homewood, Ill.: Richard D. Irwin, 1971), ch. 11; Joan G. Haworth, James Gwartney, and Charles Haworth, "Earnings, Productivity, and Changes in Employment Discrimination During the 1960's," *American Economic Review*, vol. 65 (March 1975), pp. 158–68.

²Freeman, p. 281.

³For a complete description of the survey, see Herbert Parnes, *Career Thresholds: A Longitudinal Study of the Educational and Labor Market Experiences of Male Youth*, vol. 1, U.S. Department of Labor Manpower Research Monograph No. 16. (Washington: U.S. Government Printing Office, 1970).

Our results point to the continuing existence of substantial racial discrimination. And, although racial discrimination appears stronger for blacks of lower socioeconomic background, pervasive discrimination by class as described by some radical economists cannot be documented.

Methodology

The basic model which we employed is summarized by the following structural relationships:

- (1) $IQ = f(\text{early socioeconomic environment, school quality, race})$
- (2) $\text{Schooling} = f(IQ, \text{early socioeconomic environment, school quality, race})$
- (3) $\text{Earnings} = f(\text{schooling, IQ, early socioeconomic environment, school quality, race, job training, personal characteristics, area controls})$

The model is recursive and determines sequentially IQ scores, years of formal schooling completed, and annual dollar earnings as reported in 1970. The model is similar to that employed by others to analyze the socioeconomic achievement process.⁴

The factors incorporated into the above model were measured as follows:

IQ was measured by the respondent's standardized score of mental ability. The NLS collected mental ability scores from the secondary school attended by all respondents who had completed the 9th grade by 1966. Because the scores came from an array of different mental ability tests, developers of the NLS pooled the scores by adjusting for varying means and standard deviations.⁵

Early socioeconomic environment was measured by four continuous variables which incorporated both family and community characteristics. Family background characteristics included the prestige of the house-

⁴Otis Dudley Duncan, "Inheritance of Poverty or Inheritance of Race?" in *On Understanding Poverty*, ed. Daniel P. Moynihan. (New York: Basic Books, 1968), pp. 85-110; Zvi Griliches, "Wages and Earnings of Very Young Men, Discussion Paper No. 391 (Cambridge: Harvard Institute of Economic Research, December 1974), mimeograph; Thomas I. Riblich and James L. Murphy, "The Economic Returns to Increased Educational Spending," *Journal of Human Resources*, vol. 10 (Winter 1975), pp. 56-77; Bradley R. Schiller, "Class Discrimination," *Review of Economics and Statistics*, vol. 53 (August 1971), pp. 263-69; Paul Wachtel, "The Effect of School Quality on Achievement, Attainment Levels, and Lifetime Earnings," *Explorations in Economic Research*, vol. 2 (Fall 1975), pp. 502-36.

⁵Robert E. Herriott and Andrew I. Kohen, "On the Pooling of Mental Ability Measures for Different Tests: A Pragmatic Approach," Appendix A, in Andrew I. Kohen, "Determinants of Early Labor Market Success Among Young Men: Race, Ability, Quantity and Quality of Schooling," Ph.D. dissertation, Ohio State University, 1973.

hold head's job as measured by the Duncan Index⁶ when the respondent was 14 years of age, father's education, and mother's education. The character of the community in which the respondent lived at age 14 was represented by a variable which ranged from one (1) for a farm residence to six (6) for residence in a metropolitan area over 100,000 population.

School quality was measured by annual district-wide expenditures per student in the school district in which the respondent attended high school. This variable served as a proxy for the quality of both elementary and secondary education in the school district.⁷

Race was measured by a dummy variable with the values 0 for white, 1 for black.

Schooling was measured by a continuous variable indicating the number of years of schooling the respondent completed.

Earnings were measured by the annual dollar earnings reported by the respondent in 1970.

Job training was measured by two variables. Informal on-the-job training was measured by an experience variable, which was constructed to equal age minus schooling minus 5, with the constraint that only experience after age 16 be relevant.⁸ The square of the experience variable was also entered to allow for diminishing marginal returns to such training. The impact of formal vocational and technical training was measured by a dummy variable with values of 1 if the respondent had vocational training after high school and 0 otherwise.

Personal characteristic measures included dummy variables for marital status (1 if married, 0 otherwise) and health (1 if health status affects ability to work, 0 otherwise). Hours usually worked per week was also included to control for differing work-leisure preferences.

Area controls for place of residence in 1970 included dummy variables for region (1 if South, 0 otherwise) and city size (1 if SMSA, 0 otherwise).

Figure 1 provides a graphic description of the logical flow of causation posited in the model and the variables which were employed.

⁶For an explanation of how the index was constructed, see Otis Dudley Duncan, "A Socioeconomic Index for All Occupations" and "Properties and Characteristics of the Socioeconomic Index," in *Occupations and Social Status*, ed. A. J. Reiss et al. (New York: Free Press, 1961).

⁷School expenditures are often viewed as a proxy for unmeasured family background variables or family income—wealthy families tending to live in districts in which expenditures are high. Wachtel, pp. 502–36, has presented evidence, however, which suggests that school expenditures are a legitimate proxy for school quality and that the influence of this variable is not diminished when district-wide income is held constant.

⁸For results which suggest this is a superior specification of the experience variable, see Charles R. Link and Edward C. Ratledge, "Social Returns to Quantity and Quality of Education: A Further Statement," *Journal of Human Resources*, vol. 10 (Winter 1975), pp. 78–89.

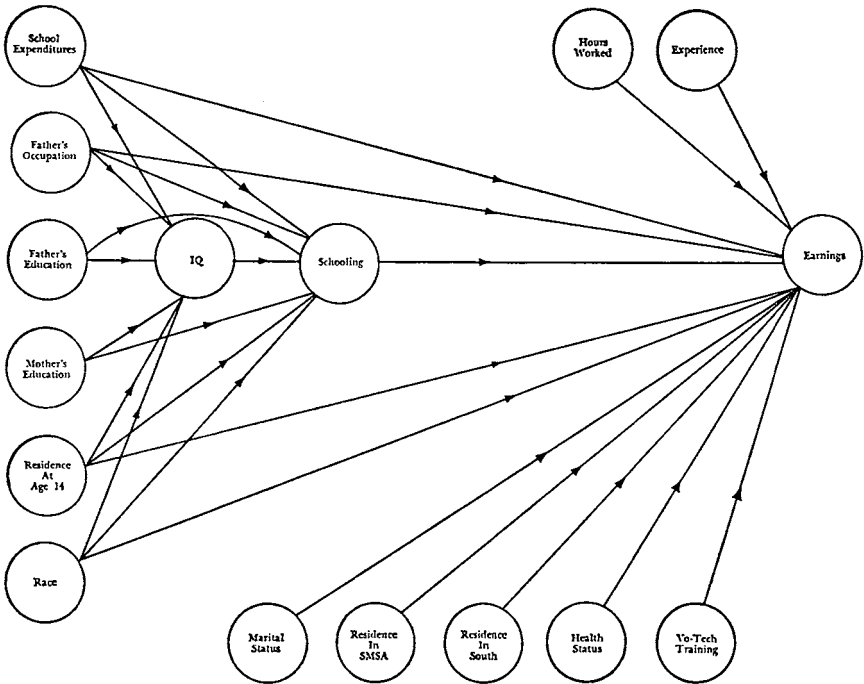


Figure 1. Diagram of Estimated Model.

The conditions for estimation of a recursive system by ordinary least squares were assumed to be satisfied, i.e., the dependent variables were assumed to be determined sequentially, and the residuals in each equation were assumed to be independent. This assumption had intuitive appeal because the determination of IQ in equation (1) could be reasonably postulated as causally prior to the determination of the years of formal schooling completed as determined by equation (2). And, likewise, the determination of years of schooling could be reasonably posited as causally prior to the determination of earnings in equation (3).

Results

In an effort to examine differences in equality of opportunity between blacks and whites and between social classes, the total sample was stratified into high and low social status subsamples, and separate versions of the model were estimated for blacks and whites within each subsample. The stratification by social status was based upon father's occupation as measured by the Duncan Index. If the father's Duncan Index was equal to or less than the average index score for craftsmen, foremen, and kin-

TABLE 1
Estimated Regression Coefficients

Equation	IQ	Race	School Expenditures	Schooling	Experience
<i>Low social status</i>					
IQ	....	-13.72*	0.01*	....	....
Schooling	0.05*	0.52*	-0.00	....	....
Earnings	8.96	-1295.35*	0.60	568.14*	573.48*
<i>High social status</i>					
IQ	....	-16.87*	0.01*	....	....
Schooling	0.06*	0.87**	-0.00	....	....
Earnings	7.06	-760.61	-0.47	878.04*	958.23*
<i>Low social status, white</i>					
IQ	....	....	0.01**	....	....
Schooling	0.05*	....	0.00	....	....
Earnings	16.91	....	0.58	567.25*	666.23*
<i>Low social status, black</i>					
IQ	....	....	0.01	....	....
Schooling	0.04*	....	-0.00	....	....
Earnings	-7.85	....	0.74	534.70*	332.49

* Significant at .01 level; ** significant at .05 level.

dred workers, the individual was included in the low social status subsample; otherwise he was included in the high social status group.

Space does not permit a full exposition of all of our results.⁹ However, Table 1 shows the estimated regression coefficients for some of the more interesting variables in each of four separate subsamples: (1) low social status (aggregated for both blacks and whites); (2) high social status; (3) low social status, white; and (4) low social status, black.

Conventional Chow tests indicated that the structural relationships of the estimated model, stratified by socioeconomic class, were not significantly different.¹⁰ The impact of educational expenditures upon IQ did not differ by social class. Consistent with the findings of Griliches,¹¹ the most powerful variable determining IQ was race. Until conclusive evidence demonstrates otherwise, we accept the hypothesis that innate mental ability does not differ by race and that the observed differences in IQ resulted from family, community, and school influences. Using the kind of measures we incorporated here, it is reasonable to expect that the socioeconomic background of blacks was overestimated and, thus, that the estimated coefficients of race reflect systematic errors in

⁹ The full results are set forth in G. Donald Jud and James L. Walker, "Discrimination by Race and Class and the Impact of School Quality" (Greensboro, N.C.: Center for Applied Research, University of North Carolina, 1976).

¹⁰ In a two-way stratification of the sample into high social status and low social status subgroups, the calculated F-ratio for the Chow test of equality between coefficients in the two estimated IQ equations was 1.02. The same F-ratio calculated for the test of equality between the coefficients of the two schooling equations was 1.40. The F-ratio for the Chow test involving the two earnings equations is 1.35. None of the calculated test statistics indicates any significant statistical difference.

¹¹ Griliches, p. 20.

measurement. The significance of the racial variable in the IQ equations may also have resulted from discrimination within the public schools in the allocation of quality schooling to blacks. This latter explanation appears especially plausible when it is recognized that most of the blacks in our sample were in the elementary grades (i.e., prior to the time when most were administered mental ability tests) before the full force of civil rights legislation began to impact the public schools.

In the schooling equations, IQ was the most important variable and had similar impacts for each social class. For both socioeconomic groupings, blacks attain more years of schooling than equally endowed whites.

There were several differences in the impact of variables upon earnings which are worthy of note even though the overall earnings relationship appeared, on the basis of the Chow test, to be similar for each of the two social status groups. First, education and employment experience had considerably more effect upon earnings within the high social status group. This is consistent with earlier studies of intergenerational occupational mobility which indicated a strong relationship between the occupation of fathers and that of their sons, and an overall difference between blue- and white-collar jobs in terms of the gains from education and experience.¹² Second, race was statistically significant in the earnings equation only in the lower social status regression. This suggests that while antidiscrimination programs may well have been successful for the black elite, large numbers of lower class blacks continue to experience employment discrimination.

Stratification of the lower social status sample revealed significant differences by race.¹³ Of particular note was the statistical insignificance of school expenditures in the black IQ relation, which contrasts to its significant impact in the white IQ equation and indicates possible discrimination in the schools. A further difference was revealed by the estimated effect of experience upon earnings. Blacks gained much less from employment experience than did whites. Indeed, the estimated experience coefficients for blacks were statistically insignificant. This

¹² Peter Blau and O. D. Duncan, *The American Occupational Structure*, (New York: Wiley, 1967); and Barry Bluestone, "The Personal Earnings Distribution: Individual and Institutional Determinants," Ph.D. dissertation, University of Michigan, 1974.

¹³ In a stratification of the lower social status group into black and white subgroups, the calculated F-ratio for the Chow test of equality between coefficients in the two estimated IQ equations was 2.30. The same F-ratio calculated for the test of equality between the coefficients of the two schooling equations was 1.43. The F-ratio for the Chow test involving the two earnings equations was 30.34. The calculated test statistic for the IQ equations indicates a significant difference at the .05 level. No significant difference is indicated in the case of the schooling equations. The test statistic for the earnings equations indicates a significant difference at the .01 level and above.

result supports the paradigm suggested by dual labor market theorists who describe a secondary labor market populated by blacks trapped largely in dead-end jobs offering limited opportunities for increased earnings through either on-the-job training or upward occupational mobility.¹⁴ It suggests that discrimination after entry into the labor market remains a significant problem for the vast majority of black males with lower social class backgrounds. The coefficients estimated for schooling indicate that the earnings gains of blacks from additional schooling were very similar to those of whites. Nevertheless, while employment discrimination may have been eliminated at the entry level, it does not necessarily follow that earnings gains through time are equally available to both blacks and whites; and, indeed, our results suggest that they differ.

The Magnitude of Discrimination

In an effort to obtain an indication of the magnitude of racial discrimination among the low social status population, we utilized a procedure to estimate discrimination by substituting low status black mean values of the independent variables into the corresponding white equations and calculating the resulting differences from observed values. This technique provides an estimate of the attainment blacks would achieve if they were able to convert their predetermined background characteristics into educational and labor market achievements at the same rate as the low status whites. The differentials between the estimated achievements of blacks and their actual achievement levels are then attributed to discrimination. Of course, since our models are far from being completely specified, we recognize that the differentials are a result of other factors as well as discrimination so that the estimates presented here may be interpreted as an upper bound.

Application of this technique suggests that labor market discrimination is very real. Low status blacks earned on average only \$4575.32. Had they been able to convert their productivity characteristics into earnings at the same rate as low status whites, they would have earned \$5734.04. Since our regressions include variables representing a broad array of earnings determinants, it is difficult to accept that much of the \$1158.72 residual difference can be attributed to factors other than current labor market discrimination. These results suggest that the elimination of employment discrimination could raise low status black earnings by over 25 percent.

¹⁴ David M. Gordon, *Theories of Poverty and Underemployment*, (Lexington, Mass.: D. C. Heath, 1972); Peter B. Doeringer and Michael J. Piore, *Internal Labor Markets and Manpower Analysis*, (Lexington, Mass.: D. C. Heath, 1971).

In order to obtain similar measures of class discrimination, we explored what would have happened to low status whites had they been able to strive for achievement in the same environment as males from higher social status backgrounds. The evidence regarding class discrimination in the labor market is hardly substantial. Our calculations suggest that low status whites lost only \$65.35 as a result of class discrimination in the labor market.

These estimates of discrimination show only the magnitude of current labor market discrimination. Employing the estimated recursive system of equations and calculating in a sequential fashion the cumulative effects of discrimination in the educational system and the labor market, the total impact can be expressed in terms of dollar magnitudes representing lost earnings.

The cumulative impact of racial discrimination within the low status male population was, thus, estimated to result in an earnings loss of up to \$1419.22. In other words, young black male earnings could be increased by over 31 percent if the unexplained residuals that result largely from the various forms of racial discrimination could be eliminated. In contrast, the results suggest that class discrimination is nonexistent; or if it exists at all, it is in the form of reverse discrimination in favor of low status males. The actual earnings of low status whites were \$75.70 greater than predicted by the full model.

DISCUSSION

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Both the Walker-Jud and the Andrisani-Kohen papers illustrate the rich detail of micro information available in the National Longitudinal Survey (NLS). Ironically, however, both studies are cross-sectional rather than longitudinal.

The Walker-Jud paper and the Andrisani-Kohen paper are addressed to significant long-standing issues of academic discussion and both make contributions to the literature—primarily through skillful manipulation of heretofore unavailable data. My chief objection to both papers is that they present “new wine in old bottles.” That is, they merely utilize the new data to refine and extend traditionally used approaches rather than cutting new paths. For example, Walker-Jud utilize what I call “the leftovers approach” to measuring employment discrimination. Essentially they compare a sample of white men with black men, attempting to account for all characteristics which affect labor market earnings. Assuming that all the major characteristics are accounted for, any leftover differences in labor market performance are then attributed to discrimination (or at least form an upper bound for discrimination).

Admittedly, the leftover or residual technique is a logical approach to quantifying discrimination. However, precise measurement of the extent of discrimination is an extremely difficult task, partly because it is impossible to achieve a fully specified model. Moreover, the benefits of attempting such precision seem to me to be questionable. Such an approach yields little or no information regarding the *dynamics* of discrimination or the *mechanism* through which it operates. Likewise the approach provides very little in the way of indicating methods or policies for combatting discrimination.

Significant technical problems also remain for Walker and Jud, namely: (1) School expenditures may not be a good proxy for quality of schooling if expenditures are not evenly distributed across school districts by race or class. (2) Class is too inadequately defined by Walker-Jud to present a valid test of class discrimination. (3) Some important factors such as job search strategy utilized or skill in successfully coping with job entry procedures are omitted by Walker-Jud. (4) IQ scores may reflect cultural bias in the tests rather than productive capacity.

While the Andrisani-Kohen paper represents an advance over past work focused on the issue of the influence of unions on wages, it fails to adequately confront persistent problems which have plagued researchers addressing this question. Thus it is subject to several criticisms which have been leveled at past efforts to measure the impact of unions, namely: (1) The paper fails to account for the spillover effect wherein the fruits of union organization may spill over to nonunion workers, resulting in a bias toward understatement of union impact. (2) The paper omits consideration of fringe benefits, certainly an important form of compensation which unions have influenced. Ignoring fringes tends to understate the effects of unionism. (3) Fine occupational and industrial distinctions are not made in the analysis. In fact, the occupational classifications in which the results are presented—craftsmen, operatives, and laborers—each include a wide range of occupations, and since for various reasons higher paying blue-collar occupations are more readily unionized, it is highly likely that there is a definite mismatch between the union and nonunion samples that has nothing to do with the variable of unionism or nonunionism, resulting in a probable overstatement of union impact.

The Iacobelli paper is stimulating in concept but disappointing in implementation. Basically, it recommends linking macro projections with information regarding the behavior of the firm. But the paper itself does not do this.

Iacobelli offers a computerized forecasting model, suggesting that it may be useful to CETA planners and job developers. Yet the value of what is presented is limited. Job developers do not want to hear that the demand for “operatives and kindred, not elsewhere classied—durable manufacturing” is rising in their local area. Rather, they really need to know which firms have openings and how CETA applicants can become considered for these openings. At best, a computer model such as the one Iacobelli describes can only help to generally target job development efforts. Further, I am unconvinced that employment service projections or some of the more sophisticated models generated by state vocational education officials in response to legislative mandates beginning with the Vocational Education Act of 1963 might not do just as well. Some of the better models have the added advantage of considering replacement demand, which is often as important as expansionary demand.

The key information remains specified demand by firms for new hires. Such information can only be obtained by a survey of employers, as Iacobelli acknowledges. Further complications are introduced by the perishable nature of this data. In sum, Iacobelli's model is no substitute for continuous interaction built on a relationship of respect and rapport between the local employers community and CETA staff

(indeed, all vocational education and training officials). Incidentally, such interaction simply cannot be generated by mere inclusion of business representation on CETA prime sponsor planning councils either.

The study by Feuille et al. attempted to uncover reasons why the innovation of multiemployer bargaining has not been adopted by public employers even though it appears to possess strong conceptual advantages.

Results of their study presented here seem to me to be interesting but not surprising. For example, it seems entirely reasonable that local officials facing reelection prefer to preserve their autonomy. This preference is all the more rational if the local units happen to be contiguous inner-city and suburban school districts with differing fiscal capacities.

Instead of participating in multiemployer bargaining, Feuille et al. find many public employers to be active in exchange of bargaining information. Given the absence of profit constraints and lack of high quality productivity data in the public sector, it seems to me little wonder that public employers tend to pursue bargaining information and salary comparisons more than most employers. I expect this interest extends to data on compensation paid by private employers drawing on the same labor pool as well as fellow public employers.

A final question for future research: Is multiemployer bargaining in the public sector more readily adopted if outside pressures push local governments to undertake it rather than relying on internal motivation to lead them to it? The pressure of competition seems to play effectively such a catalytic role in private sector multiemployer bargaining efforts.

Editor's Note: "Collective Bargaining Coverage and Earnings Differences Among Young and Middle-Aged Men: Some Evidence from the National Longitudinal Surveys," by Paul J. Andrisani and Andrew I. Kohen, will be published elsewhere.

VI. CONTRIBUTED PAPERS: ARBITRATION

Value Differences Between Attorney and Economist Labor Arbitrators

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It has been estimated that "in the entire nation three hundred [labor] arbitrators at most handle 90 percent of the cases."¹ The main thrust of this study is to learn something about the value systems of this seemingly small group of professionals who influence, through their arbitration awards, the basic structure and process of collective bargaining, and who share the responsibility for the effectiveness and future success of labor arbitration as an institution.

It is generally known that "[t]he vast majority of arbitrators are either attorneys or educators (primarily in schools of business and/or economics) and are about evenly divided in number."² Further, it has been observed that labor arbitrators " . . . unlike judges, do not have a common professional background, nor are they all trained in the same system of thinking."³

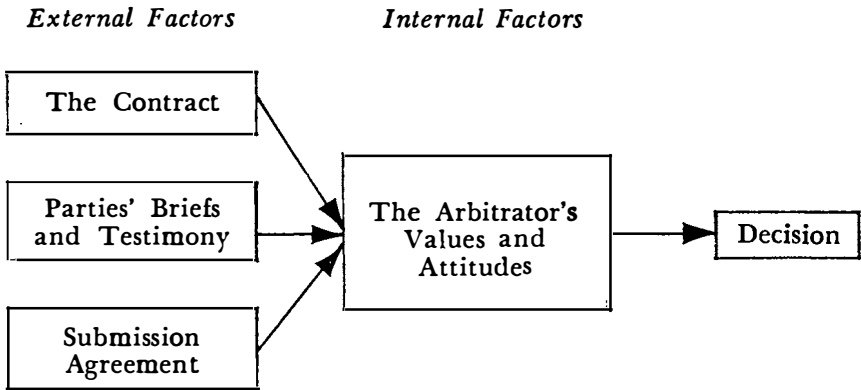
The approach taken in this study, then, will be to demonstrate that each of these two principal groups, attorneys and economists, is influenced independently by individual subgroup membership and each has, accordingly, internalized the norms (attitudes and values) of specific reference groups. In this research, the frame of reference was established by measuring the connotative meaning of selected symbols in the area of labor-management relations. (Subgroups, for purposes of this paper, are determined by educational degree, as explained later.)

The primary purpose of this empirically based research is to identify differences existing in the values and attitudes of professional labor

¹ Paul Prasow and Edward Peters, *Arbitration and Collective Bargaining: Conflict Resolution in Labor Relations* (New York: McGraw-Hill, 1970), p. 15; see also Harold W. Davey, *Contemporary Collective Bargaining* (Englewood Cliffs, N.J.: Prentice-Hall, 1972), p. 180.

² Brian L. King, "Some Aspects of the Active Labor Arbitrator," *Personnel Journal* (February 1971), pp. 115-23.

³ R. W. Fleming, *The Labor Arbitration Process* (Urbana: University of Illinois Press, 1965), p. 79.



The Decision-Making Model

Figure 1

arbitrators and to determine whether such differences depend upon their educational backgrounds.

The Decision Model

The decision model (Figure 1) depicts the environmental milieu within which the labor arbitrator makes his decision. According to this model, two sets of interacting factors, external and internal, determine what decision is reached.

The external factors of the model are the contract, the parties' briefs and testimony, and the submission agreement. These external factors comprise what normally are held to be the "facts" of any labor arbitration case. They receive primary attention both in actual labor arbitration proceedings and arbitration-related research. The following statement mirrors the situation: "The focus has been on identifying *high quality information* and having it enter the decision-making system in an *unfiltered manner*. The legal requirements are that the information be *relevant* and *material* to the *issues* at hand and that all parties have access to the *same information*."⁴ [Emphasis added.] There can be little doubt that the above statement is aimed directly at the external factors of the decision-making model. And yet, ". . . the values held by the arbitrator subtly influence his selection and organization of what he decides are 'relevant' data, his emphasis of certain evidence and de-emphasis of other, his acceptance of a certain procedural method, his

⁴ Joseph P. Yaney, "Validating the Arbitration Process," *Personnel Journal* vol. 51 (March 1972), p. 181.

attitude toward prior arbitration awards, and his literal or broad reading of the contract.”⁵

The latter statement describes the internal factors of the decision-making model—the values and attitudes of professional labor arbitrators. These are the factors that contain the criteria governing the merit and thrust accorded the external factors, and yet these same values and attitudes have been almost completely ignored in the literature of labor arbitration.

That personal values affect the decision-making process is well recognized in the literature. March and Simon suggest that these internal factors constitute a “frame of reference” which has been defined as “[a] system of standards or values, usually merely implicit, underlying and to some extent *controlling an action*, or idea.”⁶ [Emphasis added.] Further, Parsons has said, “Beliefs and values are actualized, partially and imperfectly, in realistic situations of social interaction and the outcomes are *always* co-determined by the values and the realistic exigencies.”⁷ In the context of the arbitrator’s decision model, values are the internal factors, and Parson’s “realistic exigencies” are the external factors of each case. Outcomes (decisions), then, are always “co-determined” by interaction of decision-system components.

Gross offers the following observations based on his research and analysis of decisions of labor arbitrators: “Consciously or unconsciously, arbitrators bring these ideas (values) about ethics, man, law, private property, economics, and so forth to their cases.” And “. . . the arbitrator’s reasoning and decisions reflect dominant social values, in particular, the priority of economic efficiency.”⁸

This study raises to a conscious level these submerged aspects of arbitral decision-making.

The Sample

The sample used in this study was composed of 400 labor arbitrators, equally divided between National Academy of Arbitrators members and nonmembers. The total response of 152 questionnaires was about evenly distributed between NAA members (75) and nonmembers (77), and constituted 43 percent (net usable) of the total sample.

⁵ James A. Gross, “Value Judgments in the Decisions of Labor Arbitrators,” *Industrial and Labor Relations Review*, vol. 21 (October 1967), p. 72.

⁶ H. B. English and A. C. English, *A Comprehensive Dictionary of Psychological and Psychoanalytical Terms* (New York: Longmans, Green, 1959).

⁷ Talcott Parsons, *Structure and Process in Modern Societies* (Glencoe, Ill.: Free Press, 1960), p. 173.

⁸ Gross, p. 55.

The Method

The semantic differential developed by Osgood and others was used to measure the meaning of concepts selected from the area of labor relations. The theory and technique of the semantic differential have been adequately described elsewhere.⁹

As a result of a pretest, the following eight concepts were selected for construction of the semantic differential test: wage and price controls (W), the labor movement (L), right-to-work laws (R), compulsory arbitration (private sector) (C), union leadership (U), economic efficiency (E), management rights (M), and union penetration of managerial decision-making areas (P).

The following 10 bipolar adjective scales were similarly selected for construction of the instrument:

Evaluative

good—bad
 fair—unfair
 valuable—worthless
 important—unimportant
 successful—unsuccessful

Potency

wide—narrow
 rigid—flexible
 severe—lenient
 strong—weak
 rugged—delicate

(Rigid—flexible and rugged—delicate were substitute scales not used in the pilot test.)

CLASSIFICATION OF LABOR ARBITRATORS

The respondent arbitrators were classified by academic degree and distributed as follows: law, 81 (53.29 percent); economics 52 (34.21 percent; other 19 (12.50 percent). Where the arbitrator held a law degree, he/she was classified as a lawyer. Where the arbitrator held a degree in economics, business, or labor relations, he was classified as an economist. Academic degrees other than law, economics, business, or labor relations were classified as "other."

The composition of the group of arbitrator respondents classified as "other" is quite diverse, with several educational areas being represented: engineering (8), psychology (2), history (2), liberal arts (2), philosophy (1), political science (1), and agriculture (1).

THE HYPOTHESIS AND THE DATA

The following hypothesis was tested to determine whether the values of lawyer-arbitrators and economist-arbitrators may be dependent upon

⁹ Charles E. Osgood et al., *The Measurement of Meaning* (Urbana: University of Illinois Press, 1957).

TABLE 1

Significance of F-ratios for Concepts (by E & P) as a Function of Educational Degree

Concept		Degree
Wage and price controls	(E)	N.S.
	(P)	N.S.
The labor movement	(E)	N.S.
	(P)	N.S.
Right-to-work laws	(E)	*
	(P)	**
Compulsory arbitration	(E)	**
	(P)	**
Union leadership	(E)	N.S.
	(P)	N.S.
Economic efficiency	(E)	*
	(P)	N.S.
Management rights	(E)	N.S.
	(P)	N.S.
Union penetration of mgt. decision-making	(E)	**
	(P)	App.

Note: (E) = evaluative scales; (P) = potency scales. N.S. = not significant. App. = approaching accepted level of significance = .10. * Level of significance = .05. ** Level of significance = .01.

their educational backgrounds: Lawyer-arbitrators have different attitudes about certain cognitive objects than do economist-arbitrators.¹⁰

The data used to test the hypothesis were accumulated from the sample by means of a two-part questionnaire. The first part was a semantic differential test designed to identify the connotative meanings of certain labor relations oriented concepts. The second part consisted of several questions designed to gather demographic information, including educational backgrounds.

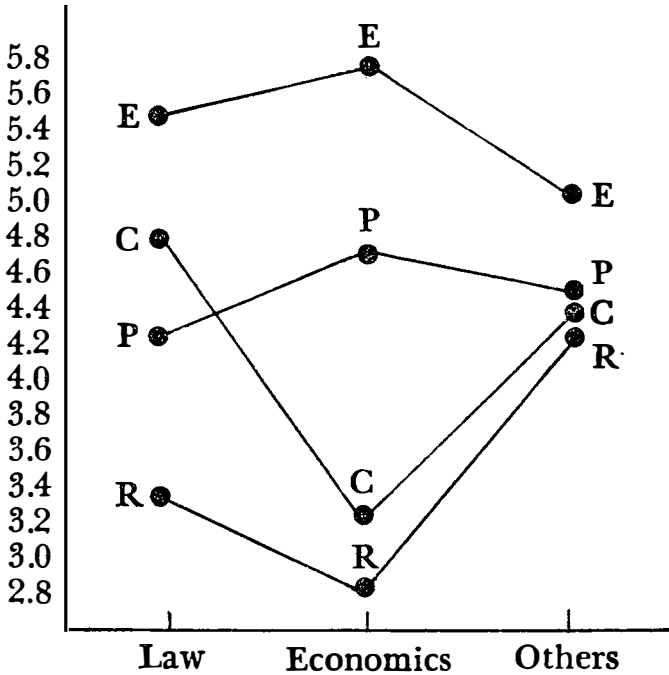
ANALYSIS OF THE SEMANTIC DIFFERENTIAL FOR LAWYER AND ECONOMIST ARBITRATORS

Table 1 is a summary of the results of the analysis of variance test, showing the significance of the F-ratios for each of the eight concepts as a function of education. Each of the eight concepts was analyzed for differences by scale. According to Osgood, "If there is a significant difference on any one dimension, the overall test will be significant. . . ."¹¹

The results in Table 1 show differences in arbitrator responses by degree for the following four concepts: right-to-work laws, compulsory

¹⁰ "Cognitive objectives" are any concrete or abstract things perceived and "known" by individuals. People, groups, the government, and education are examples of cognitive objects. Fred N. Kerlinger, *Foundations of Behavioral Research* (2d ed.; New York: Holt, Rinehart and Winston, 1973), p. 19.

¹¹ Osgood.



Legend: E=economic efficiency; P=union penetration of managerial decision-making; C=compulsory arbitration (private sector); R=right-to-work laws.

Figure 2. Means (E Scales) by Degree for Concepts of Statistical Significance.

TABLE 2
Means of Concepts and Significant Differences in
Connotative Meanings of Concepts by Degree

	Law	Economics	Others
WE	3.94	3.99	3.80
WP	3.84	3.90	3.85
LE	5.90	5.78	5.52
LP	4.24	4.02	4.10
RE	3.43	2.96**	4.24
RP	3.34*	(3) 2.98*	3.70**
CE	(1) 4.78**	(3) 3.37*	(2) 4.42
CP	(1) 3.46**	(3) 2.85**	3.75
UE	5.43	5.29	5.18
UP	4.09	3.82	4.00
EE	5.41	5.64*	5.05
EP	4.28	4.33	4.04
ME	5.45	5.10	5.36
MP	4.30	4.07	4.20
PE	4.26**	4.71	4.56
PP	(1) 3.93	4.22	4.09

Note: *t*-test relationships of significance: (1) = law and economics; (2) = law and others; (3) = economics and others.

* Level of significance = .05. ** Level of significance = .01.

arbitration, economic efficiency, and union penetration of managerial decision-making areas. Figure 2 demonstrates graphically the relationships of these four concepts as measured by their evaluative dimensions. One may observe that economists always adopted a more extreme position than did lawyers or "others." One may also note the definitive ranking of the concepts, with right-to-work laws occupying the lower level and compulsory arbitration and union penetration of managerial decision-making areas next in ascending order. The concept given the most credence and occupying the highest level in the ranking is economic efficiency. This finding supports the observation by Gross that "the arbitrator's reasoning and decisions reflect dominant social values, in particular, the priority of *economic efficiency*."¹²

TESTS FOR DIFFERENCES

The next step was to isolate those concepts that were significantly different for lawyer-arbitrators and economist-arbitrators. The *t*-test was used to accomplish this purpose, and the total results by degree are presented in Table 2. The concepts that showed significant differences between the two groups are right-to-work laws (.05), compulsory arbitra-

¹² Gross, p. 55.

tion (.01), and union penetration of managerial decision-making areas (.01).

The semantic profiles in Figure 3 illustrate the relationships of individual responses to the bipolar adjective scales for economist-arbitrators and lawyer-arbitrators. The following observations may be noted:

For the concept right-to-work laws, economist-arbitrators held a conclusively more negative viewpoint than the slightly negative, sometimes neutral, position occupied by lawyer-arbitrators.

The widest separation of viewpoints occurred with the concept of compulsory arbitration (private sector). Whereas economist-arbitrators are decidedly opposed to the concept, lawyer-arbitrators are generally supportive of compulsory arbitration for the private sector, rating it as rather fair, modestly valuable, and important.

The position is reversed for the final concept, with economist-arbitrators expressing more positive viewpoints than the lawyer-arbitrators. The concept of union penetration of managerial decision-making areas is viewed by lawyer-arbitrators as rather neutral to negative, whereas economist-arbitrators judge this concept as neutral to positive.

Conclusion

In seeking firm ground for their decisions, arbitrators rely not only on their interpretation of the agreement, the imperatives of industry, and on the common law of the shop, but also on the dominant values of the larger society. The arbitrator, by having recourse to these changing social values, helps to speed their infusion into the work place and he thereby contributes to the extension of democracy in industrial life.¹³

This study has demonstrated empirically what has been based, up to this point, mainly upon a priori reasoning, i.e., that the personal values of labor arbitrators differ and depend upon their educational backgrounds. Generalization of this result suggests that the decisions of labor arbitrators may be expected to vary depending upon their educational backgrounds. From this generalization, the writer draws the following implications for policy and research.

In selecting an arbitrator, it would be advisable for labor and management to consider more carefully the educational backgrounds of the candidates. The fact that a particular candidate is an attorney, or an economist, or "other" should be weighed in light of the issues involved in each case. This is precisely what occurred in a case concerning union

¹³ Eli Ginzberg et al., *Democratic Values and the Rights of Management* (New York: Columbia University Press, 1963), p. 18.

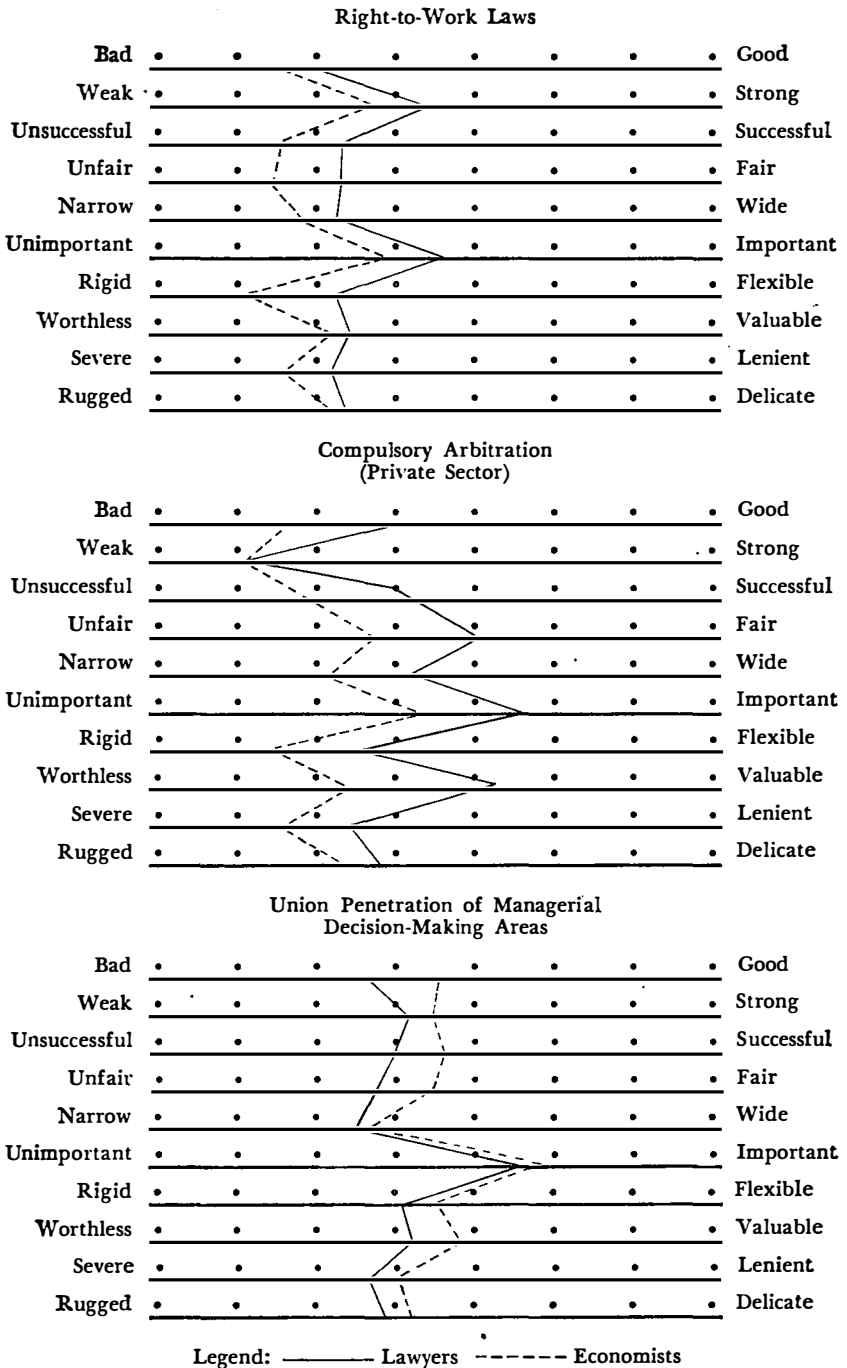


Figure 3

security at a federal installation in a "right-to-work" state. Management desired a strictly legal interpretation, persisted on a lawyer-arbitrator's hearing the case, and won. The findings of this study indicate that lawyer-arbitrators hold positive viewpoints of legal concepts (including right-to-work laws) as opposed to decidedly negative attitudes of economist-arbitrators.

An interesting policy implication is that perhaps the concept of specialization is becoming appropriate to the field of labor arbitration. Certainly there are issues better decided by lawyers than by economists, and others better decided by economists than by lawyers. It seems, too, that specialization would more certainly and rapidly result in the development of more cohesive body of generalizations and arbitral standards. Specialization may become a necessity as opportunities for broad-based arbitral experience become more constrained and the services of labor arbitrators with such experience are lost through attrition.

To the extent that the thesis of this paper is correct, one must be concerned about the "infusion into the work place" of these "changing social values." By whom, and for what purpose? Through additional empirically based behavioral research, a more composite framework of attitudes and values of labor arbitrators may be identified and analyzed. Along with acquiring direct information from labor arbitrators, management and labor should be queried as to the role of perceived value orientations in the selection of particular labor arbitrators. Indeed, investigation of the selection process of management and labor may prove to be equally as fruitful as a direct investigation of the values of arbitrators. This is especially important, since most arbitrators absolve themselves of the influences of personal values and attitudes in their arbitral decision-making.

The Impact of Final-Offer Interest Arbitration on Bargaining: The Case of Major League Baseball*

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The use of final-offer interest arbitration as a *modus operandi* for resolving bargaining impasses has raised several debates in the literature.¹ The recent attention given to final-offer arbitration has centered around the following question: What impact does final-offer arbitration have upon the bargaining process? This study focuses squarely on the above question with specific reference to the experience of major league baseball in the years 1974–75.

The Competing Hypotheses

Scholars and practitioners alike are divided in their opinions as to the acceptance of compulsory arbitration² as a means of resolving collective bargaining impasses. The two competing viewpoints on this issue are often referred to as the “narcotic” and “compatibility” hypotheses. The former argument maintains that “. . . a statutory requirement that labor disputes be submitted to arbitration has a narcotic effect on private bargainers. . . . They will turn to it as an easy and habit-forming release from the . . . obligation of hard, responsible bargaining.”³

On the other hand, some writers have suggested that compulsory arbitration can be quite compatible with good-faith, responsible bargaining. Instead of attenuating and subverting collective bargaining, it is maintained that compulsory arbitration acts as a “strikelike” institution, that is, “. . . a technique for imposing a cost of disagreement . . . to invoke the processes of concession and compromise which are an essential part of collective bargaining negotiations.”⁴

* The author wishes to thank Joseph C. Ullman and James R. Chelius for their helpful comments on an earlier draft of this paper.

¹ For example, see Peter Feuille, “Final Offer Arbitration and the Chilling Effect,” *Industrial Relations*, 14 (October 1975), pp. 302–10; Charles Feigenbaum, “Final Offer Arbitration: Better Theory Than Practice,” *Industrial Relations*, 14 (October 1975), pp. 311–17.

² Compulsory arbitration refers to any procedure which requires that bargaining impasses be submitted to arbitration automatically or upon the demand of one of the parties involved or a relevant government body.

³ Statement made by former Secretary of Labor W. Willard Wirtz in James L. Stern, “Final Offer Arbitration—Initial Experience in Wisconsin,” *Monthly Labor Review*, 97 (September 1974), pp. 39–43.

⁴ Carl M. Stevens, “Is Compulsory Arbitration Compatible with Bargaining?” *Industrial Relations*, 5 (February 1966), p. 40.

Final-offer arbitration has been suggested as the appropriate solution to the alleged detrimental effect of conventional compulsory arbitration upon bargaining.⁵ Several public sector employee labor relations systems have experimented with final-offer arbitration, and some preliminary results of these trials have been reported in the literature.⁶

Recent evidence has been offered in support of both of the above "effects." Feuille provides evidence to suggest that final-offer arbitration procedures appear to do a somewhat better job of producing negotiated agreements than do conventional arbitration procedures.⁷ Feigenbaum reports on experience with final-offer arbitration which leads him to conclude that there is no evidence that fewer negotiations reach impasse under this system than would occur under conventional arbitration.⁸

The situation depicted above leaves us with no concrete answers. The theoretical argument alluded to still thrives. Even the paucity of empirical evidence available is contradictory in nature. Can the recent experience of major league baseball with final-offer interest arbitration shed any further illumination on the above controversy?

The Setting

Prior to the 1974 season, salary impasses between baseball players and club owners were not subject to any type of compulsory arbitration. Options available to the player and club in such impasse situations were limited to;

(a) further negotiations aimed at finding a compromise wage bargain; (b) the player's retirement from professional baseball, at least in the United States; (c) invoking of the reserve clause in the player's previous contract which allowed for management to renew the previous contract at not less than 80 percent of the former salary; or (d) agreement on the terms proposed by the other party.

Through collective bargaining, this situation has recently changed to allow for another option. Since 1974, any club or any player with two years of major league experience has had the right to submit the issue of the player's salary to arbitration. This system of arbitration is compulsory when requested by either party, and the decision of the neutral is binding. The arbitration procedure agreed to in the Basic Agreement

⁵ Stevens, pp. 38-52.

⁶ See, for example, Gary Long and Peter Feuille, "Final Offer Arbitration: 'Sudden Death' in Eugene," *Industrial and Labor Relations Review*, 27 (January 1974), pp. 186-203; Stern, pp. 39-43; Charles M. Rehmus, "Is a 'Final Offer' Ever Final?" *Monthly Labor Review*, 97 (September 1974), pp. 43-45; Fred Witney, "Final Offer Arbitration: The Indianapolis Experience," *Monthly Labor Review*, 96 (May 1973), pp. 20-25.

⁷ Feuille, p. 309.

⁸ Feigenbaum, p. 316.

is of the final-offer variety.⁹ In the two years that this option has been available, 43 players (13 pitchers and 30 nonpitchers) have taken salary disputes to arbitration.

The Data and Evidence

This research was performed as part of a larger study on the use of final-offer arbitration in major league baseball. The overall objective of the larger study was to create a model to predict arbitration award outcomes based on the permissible arguments as stated in the Basic Agreement.¹⁰ Data on the use of the impasse resolution procedure and the quantifiable arguments were gathered from several sources.¹¹

Various pieces of evidence were available to permit testing of the impact of final-offer arbitration on collective bargaining. Such evidence will be presented in the next section of this paper in the form of answers to the following list of questions: (1) Is arbitration ever used? (2) How frequently has arbitration been invoked? (3) How frequently have cases actually been decided by an arbitrator? (4) Was there a significant difference in items (2) and (3) between 1974 and 1975? (5) What has been the spread¹² between player final demands and club final offers? (6) Did this spread change significantly from 1974 to 1975? (7) What is the percentage of player "wins" at arbitration? What impact has this had on the number of cases going to arbitration?

Results

The experience to date with respect to question (1) clearly shows that arbitration is being used. This result is in complete agreement with Feuille's finding that final-offer arbitration is not such an overpowering weapon as to always induce negotiated settlements.¹³ The data in Table 1 indicate that over 9 percent of the eligible pool of players chose to invoke arbitration proceedings in 1974-75. In nearly one-half

⁹ See *Basic Agreement Between the American League of Professional Baseball Clubs and the National League of Professional Baseball Clubs and the Major League Baseball Players Association*, effective January 1, 1973. The Basic Agreement provides that the arbitrator is limited in his decision to the choice of either the player's final salary demand or the club's final salary offer.

¹⁰ *Basic Agreement* . . . , Article V, Section D, part (10), p. 8.

¹¹ Principal sources for final offers, final demands, and awards were: *New York Times*, March 3, 1974; *Business Week*, March 23, 1974; *U.S. News and World Report*, March 24, 1975; *Sports Illustrated*, April 7, 1975. These figures were corroborated by the Major League Baseball Player's Association and several club owners. Other sources included various issues of *Sporting News*, *The Baseball Guide*, and *The Baseball Encyclopedia*.

¹² The term "spread" refers to the distance (in dollars) between the final positions of the participants. For example, if Player A's salary demand is \$85,000 and his club's final salary offer to him is \$68,000, then the "spread" for this particular observation is \$17,000.

¹³ Feuille, p. 307.

TABLE I
The Use of Arbitration in Major League Baseball: Some Summary Findings

Year (1)	Total Eligible (2)	Invoked (3)	SPA ^a (4)	Arbitration Awards (5)
1974	500	54 (10%) ^b	25 (5%)	29 (5%)
1975	500	38 (7%)	24 (5%)	14 (3%)
Totals	1000	92 (9%)	49 (5%)	43 (4%)

^a SPA = Settled prior to award. These were cases where arbitration proceedings were invoked, but where the parties were able to come to terms over salary before an actual hearing took place.

^b Percentage figures in parentheses are as a percent of total eligible.

of these cases, or over 4 percent of the contracts signed in these two years, the salary figure was determined by the award of an impartial umpire.

Table I further breaks down the number of arbitration cases invoked by year. Fifty-four cases were invoked in 1974, while this number decreased to 38 in 1975. If final-offer arbitration had a strong narcotic or chilling effect on bargaining, one would expect the number of cases invoked to increase over time. This significant decline in the number of cases instituted can be interpreted as evidence in support of the "compatibility effect."

Furthermore, one can fortify the above argument by referring to column (4) of Table 1. The decision to invoke arbitration clearly did not end negotiations in many cases. Indeed, negotiations continued to such an extent that approximately one-half of the cases in which arbitration was invoked were ultimately settled through negotiations without an arbitration award being made.¹⁴ Not only were many cases resolved at the bargaining table prior to arbitration, but the figures seem to indicate that this trend is on the increase.

The number of cases actually decided by an arbitrator declined from 29 in 1974 to 14 in 1975. (See column (5), Table 1.) The fact that only one-half as many arbitration awards were handed down in the second year of major league baseball's experience with arbitration indicates that responsible negotiations continued in spite of the availability of the final-offer arbitration option.

Another interesting test of the impact of final-offer arbitration upon bargaining focuses on the final positions of the parties. How far apart have these final offers and demands been? Do the 1975 figures provide evidence of more responsible bargaining (smaller spreads) or indicate

¹⁴ The percentage of cases where arbitration was invoked but where a negotiated settlement was reached prior to arbitration increased from .46 in 1974 to .63 in 1975. See columns (3) and (4) of Table 1.

TABLE 2
Summary Data on Final Positions of the Parties

	1974	1975	Combined 1974-75
Pitchers			
1	66,312	74,600	69,500
2	58,125	61,800	59,538
3	8,187	12,800	9,962
Nonpitchers			
1	57,400	91,166	67,879
2	47,025	74,444	55,534
3	10,375	16,722	12,345
Combined Pitchers & Nonpitchers			
1	59,946	85,250	68,380
2	50,196	69,928	56,773
3	9,750	15,322	11,607

Notes: 1 = Average final salary demand. 2 = Average final salary offer. 3 = Average spread (difference) between final salary demands and final salary offers.

TABLE 3
Final Positions of the Parties Expressed as Percentage of
Increase over Salary Paid in the Prior Season

	1974	1975	Combined 1974-75
Pitchers			
1	.2984	.3213	.3072
2	.1251	.0980	.1147
Nonpitchers			
1	.5083	.4872	.5048
2	.2397	.2260	.2354
Combined Pitchers & Nonpitchers			
1	.4483	.4344	.4437
2	.2070	.1803	.1981

Notes: 1 = Average percentage increase in salary demanded. 2 = Average percentage increase in salary offered.

greater reliance on the arbitration system (larger spreads)? The data in Tables 2 and 3 provide some preliminary answers to the above questions.

Table 2 presents average final salary demands, average final salary offers, and average differences between these final demands and final offers. The data are further broken down by year and type of player.¹⁵ If final-offer arbitration promotes "real" collective bargaining, it would seem to indicate that the parties involved would modify their final positions over time. Some initial experimentation with the procedure would lead to divergent final positions in earlier cases. The second and

¹⁵ Players were divided into two groups, pitchers and nonpitchers, for the purpose of analysis. Data are also provided on the combined sample. The initial division was made because of the lack of comparable performance data on the two groups for use in the larger study.

successive years of experience should produce smaller spreads between final offers and final demands. The data in Table 2 indicate that just the opposite has occurred. That is, for both pitchers and nonpitchers, the distance between the final positions of the parties increased from 1974 to 1975. One is tempted to interpret this as an indication that bargaining has been "chilled" by the final-offer arbitration procedure. However, the use of these figures to reach conclusions about the impact of this type of arbitration on bargaining can be quite misleading. For example, should a difference of \$10,000 in the final positions of the parties be interpreted in the same way for a little known player who earned \$25,000 in the previous season as for a superstar whose previous season's salary was over \$100,000?

A more meaningful test would focus on the percent of change in salary rather than the absolute level of change data presented in Table 2. Table 3 indicates the final positions of the parties expressed in percent change terms. These data show much stability over the two-year period. When all observations are pooled, it can be seen that final salary demands decreased slightly in 1975, while the same trend is apparent for final salary offers.

Similar stability is exhibited in the data which express the spread in the parties final positions as a percentage of salary in the previous season. These calculated values are .2413 and .2541 for 1974 and 1975 respectively.¹⁶

In addition, evidence is available on six players (two pitchers and four nonpitchers) who made use of salary arbitration in both 1974 and 1975. It is interesting to note that all of these players decreased the percentage of increase in salary they demanded in the second year of their experience with arbitration. The average percentage increase in salary demanded by pitchers fell to .2867 in 1975 from .3762 in 1974. Corresponding figures for nonpitchers were .2718 and .6513. The owners involved in these cases also showed a significant change in their final-offer behavior. The average percentage increase in salary offered to pitchers in 1974 was .1744. In 1975, this average dropped to .0769. The situation with respect to nonpitchers was much the same. Final offers averaged proposed increases of .3013 in 1974 and .0795 in 1975.

The final test pertains to the impact of winning or losing a case at arbitration upon the decision to use arbitration again as a means of resolving salary impasses. This type of evidence can be looked at in two ways. First, for any particular player, what impact does a "win" in

¹⁶ These figures were arrived at by first calculating spread/salary in prior season for every player using arbitration. These values were summed and divided by the number of cases in the relevant year to express average spread as a percentage of salary in the previous season.

one year have upon the choice to invoke arbitration again in the following year? Additionally, for a certain class of players (e.g., pitchers) or for all players in general, what effect does the performance of player peers at arbitration in the previous season have upon the number of players opting to use arbitration in the future? Table 4 presents evidence relevant to the above questions. It can be observed that clubs have a slight overall edge in the number of cases won. However, pitchers have fared much better than have nonpitchers in terms of percentages of cases won.

TABLE 4
The Impact of Winning/Losing a Case at Arbitration Upon the Choice to Use Arbitration in the Following Season

	1974	1975	Combined 1974-75
Pitchers			
Club wins	2 (.25) ^a	3 (.60)	5 (.38)
Player wins	6 (.75)	2 (.40)	8 (.62)
Nonpitchers			
Club wins	14 (.67)	6 (.67)	20 (.67)
Player wins	7 (.33)	3 (.33)	10 (.33)
Combined Pitchers & Nonpitchers			
Club wins	16 (.55)	9 (.64)	25 (.58)
Player wins	13 (.45)	5 (.36)	18 (.42)

^a Number in parentheses are percentages.

It is interesting to note that five of the six players who opted for arbitration in both 1974 and 1975 had won their case in the former year. On the other hand, eight players who won arbitration cases in 1974 were able to reach negotiated settlements with their clubs in 1975. It seems as if one is more likely to reuse arbitration after having an initially favorable outcome. However, by no means is it certain that winning a case at arbitration will automatically imply the use of arbitration again in the following season.¹⁷

One might predict that a player contemplating the use of salary arbitration would look to the success rate of his peers as a major input into his decision-making process. For instance, pitchers had great success at arbitration in 1974. This knowledge might persuade many pitchers to cast their lot with arbitration in 1975. Table 4 indicates that the number of pitchers using arbitration in 1975 actually declined compared with 1974 figures. The number of nonpitchers using arbitration similarly declined, but at a greater rate. This downtrend may have been predict-

¹⁷ It is curious to note that only one player (a pitcher) was able to win cases in both 1974 and 1975. The other four players with favorable decisions in 1974 received setbacks in 1975. The one player who lost his case in 1974 and opted to use arbitration again in 1975 was able to win the second time around.

able due to the greater success clubs had in securing favorable decisions against nonpitchers in 1974. The combined figures for 1974, which indicate a slight advantage for management in the number of cases won by each side, would not seem to have much impact on the decision to go to arbitration in 1975. The possibility of peer "encouragement" or "discouragement" based on past experience with arbitration is a real one. However, in light of the figures presented, it seems more likely that some other explanation for the decrease in the number of arbitration awards handed down in 1975 is appropriate.

Conclusions and Policy Implications

The evidence presented in this paper clearly indicates that the advent of final-offer arbitration has not had a serious "narcotic effect" on bargaining in major league baseball. Overall, the results lend support to Stevens's argument that the right type of compulsory arbitration can be quite compatible with collective bargaining.¹⁸

Specifically, the findings of this study indicate that:

1. The final-offer arbitration procedure is being used by baseball players and club owners.
2. Both the number of arbitration cases invoked and the number of cases decided by an arbitrator declined in 1975 from 1974 levels.
3. Meaningful negotiations continued after arbitration was invoked. Many cases in which arbitration was invoked were settled through negotiations, thus eliminating the need for arbitration.
4. The average final positions of the participants changed very little from 1974 to 1975, when viewed in terms of the percentage of increase demanded or offered over the salary paid in the previous season. (See Table 3.) These data did not lend any support to either of the competing positions regarding the impact of final-offer arbitration on bargaining.
5. A favorable arbitration decision in 1974 did not automatically imply that a player would reuse the system again in 1975. Only about one-third of the "winners" in 1974 used arbitration again in 1975. All others were able to reach negotiated settlements in 1975.
6. An unfavorable arbitration decision in 1974 did seem to impact upon the player's choice to use arbitration again. Only one "loser" in 1974 made use of salary arbitration in 1975.
7. The overall figures for 1974, showing a slight advantage in the number of cases won by management, would indicate that any particular player faced with the decision to use arbitration in 1975 would probably rate his chances of winning his case as 50-50 at best.

¹⁸ Stevens, pp. 38-52.

The results of this study do not suggest that final-offer arbitration is a more appropriate impasse resolution technique than other compulsory arbitration systems. They do indicate that final-offer arbitration seems to be compatible with bargaining in the specific case of major league baseball. Caution in the interpretation of these results is necessary for the following reason: The results obtained may not be due to the type of arbitration system used in major league baseball, but rather to some other explanatory factors which could not be controlled for. Such items as the newness of the system, the lack of written awards, and the risk propensities of the players and/or owners may be important determinants of the results. That is, results supportive of the "compatibility effect" may derive from mechanisms outside of those indicated by this hypothesis.

In spite of the above limitation, it does appear that the arrival of final-offer arbitration in major league baseball has not ended all meaningful player-owner negotiations over salary. Players and owners have had the opportunity to use an additional option in the event of a salary impasse situation.¹⁹ Some theorists would have us believe that final-offer arbitration is of particular appeal in that it offers a substitute for the strike and has sufficient deterrent effect as to act as a positive inducement to the parties to reach negotiated settlements. The findings of his study corroborate the fact that the vast majority of salary negotiations in major league baseball are completed at the bargaining table and without the need for arbitration.

¹⁹As of the time of the writing of this paper, yet another option became available. An arbitration decision handed down by Peter Seitz strikes at the heart of the reserve clause which served to bind a player to his club indefinitely. Seitz ruled that the option clause in the standard player contract can be used for only one year. A player who plays one year without a contract becomes a free agent the following season and can negotiate with any team. The impact of this decision on the number of cases going to arbitration could be sizable.

The Application of Labor-Management Dispute Settlement Procedures to Prison Inmate Grievances*

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In its report on the 1971 Attica prison uprising, the McKay Commission suggested that one cause of the revolt was the failure to provide nonviolent means for the expression of grievances. Heeding the lessons of Attica and disturbances elsewhere, most correctional systems have been searching for ways to allow prisoners to express grievances legitimately and obtain remedies expeditiously.

Virtually the only forum that has been open to inmates is the federal courts. About 17,000 prisoner petitions are filed in court annually, alleging infringement of civil rights. But most of these are objections to prison conditions and rules which, however serious to the inmate, do not amount to substantial constitutional or legal claims. The prisoner thus obtains no relief, while the court's backlog of cases is needlessly swollen. A report by a study group of the Judicial Conference of the United States concluded in 1972 that "we are in truth fostering an illusion. What the prisoner really has access to is the necessarily fleeting attention of a judge or a law clerk." Chief Justice Warren E. Burger, moreover, has called upon every prison to provide "the means of having complaints reach decision-making sources through established channels so that the valid grievances can be remedied and spurious grievances exposed."

Faced with a two-fold need to reduce tensions in prisons and relieve the courts of prisoner complaints, a number of correctional systems have begun implementing formal grievance mechanisms, similar, in varying degrees, to those used by unions and management in industry. At first glance there may not seem to be much resemblance between a grievance mechanism agreed upon by union and management, which have countervailing powers, and a mechanism created by a "management" that totally controls the lives of the other party. However, correctional administrators recognize that the smoothness with which a prison operates depends very much on the willingness of the prisoners to cooperate. The

* The author has visited correctional institutions in several states to study inmate grievance procedures and has arbitrated prisoner complaints in New York State and South Carolina.

"parties" in any prison have to deal with each other daily, and some degree of give-and-take is inevitable. The "labor model," moreover, is attractive to many prison administrators because it has proven successful in defusing tensions in a relationship that was once also fraught with violence.

The Federal Bureau of Prisons and three states, Maryland, California, and Wisconsin, have been operating grievance mechanisms that are especially noteworthy because they attempt to provide a comprehensive method of handling complaints and because they display a wide variety of approaches. The simplest of these mechanisms guarantees a written response to an inmate complaint within a specified time. The most complex involves inmates at all stages, affords personal hearings, and provides a final step of advisory arbitration by neutrals appointed by the American Arbitration Association.

The Federal Bureau of Prisons Administrative Remedy Procedure is an outgrowth of two traditional ways of dealing with inmate complaints: the "cop out," or request for interview with staff, and the "prisoners' mailbox," a means of sending uncensored letters to public officials and the director of the bureau. The lack of time limits or guarantee of written response did little to assure inmates that their grievances would receive consideration. In contrast, the Administrative Remedy Procedure, instituted in April 1974, allows the inmate to obtain an official complaint form from his counselor and to get a receipt upon filing it. If the counselor is unable to resolve the complaint informally, he forwards it to the prison superintendent, who has 15 days to reply. The superintendent normally asks the appropriate department head within the prison for a report and then responds to the inmate in writing on a space provided on the original complaint form. If the inmate is dissatisfied, he can appeal to the bureau's regional director, who has 20 days to reply. If that proves unsatisfactory, the inmate may appeal to the national director, who also has 20 days to respond. A special procedure allows inmates to file a complaint initially with the national director if they feel reprisals may be taken against them by the local staff. There is no review at any point by any person outside the Federal Bureau of Prisons.

In Wisconsin, there are also several levels of appeal available to inmates. However, in each prison an Institutional Complaint Investigator is employed whose sole task is to handle grievances. Within five days after a complaint is filed with the investigator, he must interview inmates and officials and report his findings to the warden. The warden has 17 days to inform the inmate in writing of his decision. The warden may also refer the grievance to a Complaint Advisory Board, which is composed of two staff members and two inmates empowered to make recom-

mendations to the warden. The grievant may appeal the warden's decision within seven days to the Corrections Complaint Examiner, who is an assistant state attorney general. The examiner has 45 days within which to make his decision. He can issue subpoenas, hold hearings, and require sworn testimony from inmates and officials. He has free access to all facilities. His decision is forwarded to the Administrator of the Wisconsin Division of Corrections, who has 15 days to approve or modify it. The Administrator's ruling may be appealed by any affected party to the Secretary of the Department of Health and Social Services, of which the Corrections Division is a part. The Department Secretary has 30 days to sustain, reverse, or amend the Administrator's decision.

In Maryland, the state legislature created in 1971 a five-member Inmate Grievance Commission, in effect a civilian review board composed of part-time commissioners appointed by the governor. The commission is empowered to hold hearings on inmate complaints and may order prison officials to provide remedies. The inmate may be represented by other inmates, staff members, or legal counsel and has the right to call and cross-examine witnesses. The entire procedure is supposed to take about three months but often takes longer. Both the Commission and the Division of Corrections are subordinate to the Secretary of the Department of Public Safety and Correctional Services. Commission rulings denying inmate complaints are final, but those ordering remedies are subject to approval by the Secretary.

In California, the Youth Authority has been operating a grievance procedure at its institutions since 1973 with the aid of the Center for Community Justice, the Institute for Mediation and Conflict Resolution, and the American Arbitration Association.¹ It involves inmates and staff in decision-making and culminates in a form of advisory arbitration. A complaint is filed with a ward (juvenile inmate) who has been elected by his peers to serve as grievance clerk (tribunal administrator). Within five days a living-unit grievance committee, composed of two wards, two staff members, and a nonvoting chairman, will hold a hearing. The ward can present his own case or have another ward or staff member do so. The chairman, who is usually a staff member serving outside the living unit, may try to mediate the grievance. In most instances, the decision is rendered unanimously by the grievance committee, and few grievants press the issue further. However, a grievant may appeal to the superintendent of the institution. If the superintendent's decision does not satisfy the grievant, he may request a tripartite appeal panel, chaired

¹ The U.S. Law Enforcement Assistance Administration has selected the California procedure as an "Exemplary Project," a designation intended "to encourage widespread use of advanced criminal justice practices."

by an impartial arbitrator appointed by the AAA. The panel's award is not binding upon the superintendent, but decisions generally have been implemented.²

The grievance procedure differs somewhat from one institution to another; the Youth Authority laid down guidelines but allowed each institution's staff and inmates to jointly formulate the details. This approach was the fruit of an earlier experience at the Massachusetts Correctional Institution at Concord. At Concord, the Center for Community Justice designed a system, and then staff and inmates were trained in its operation. In retrospect, the designers came to believe that inmates and staff would have had more commitment to the procedure had they been involved in the planning. (Although one arbitration was held at Concord, the grievance procedure fell into disuse after a number of changes in administrative personnel.)

The grievance systems of the Federal Bureau of Prisons, Wisconsin, Maryland, and California are only a few years old. Undoubtedly, they will be modified and refined. However, there are strong indications that inmates, staff, and the courts find them useful.

There are inmates who are dubious about the possibility of effecting significant changes through the grievance procedure. All but the most skeptical, however, concede that a grievance procedure, whatever its defects, is better than no grievance procedure at all. And some inmates, especially those who have used it with success, believe that a grievance procedure offers a genuine opportunity for gaining a voice in the way prisons are run. Perhaps the most convincing demonstration of inmates' acceptance of the procedure is the fact that thousands of grievances have been filed.

Administrators have found grievance procedures to be a useful management tool, clarifying institutional rules and policies and exposing problems that otherwise might not have come to their attention. Often initial doubts about the workability of the grievance procedure disappeared after some experience with it, although administrators concede that it can be frustrating to have one's decision overruled because of an inmate complaint. The deluge of harassing complaints that had been expected by some officials did not materialize; most users seem to have genuine grievances and to file complaints in good faith.

Line officers, more than administrators, tend to be suspicious of griev-

² Since February 1976, a grievance procedure generally modeled after that of California has been in effect in all New York State adult correctional institutions as required by state law. It is too soon to evaluate the New York procedure—excessive delays seem to be a difficulty—but the fact that the inmate strike in Attica in August 1976 produced negotiations between prisoners and officials rather than violence may not be unrelated to the existence of a forum where discussion occurs routinely.

ance procedures, anticipating attempts by inmates with grudges to retaliate against them. In all the systems described here, however, complaints alleging misbehavior by individual officers formed only a small proportion of the grievances filed. Some officers, at least, believe that the grievance procedure has contributed to more harmonious relations with inmates by providing a forum in which resentments can be brought out into the open. That seems to be especially true in California, where officers and inmates share the responsibility for working out responses to complaints at the initial stage.

The courts have given formal recognition to grievance procedures in some jurisdictions by refusing to entertain prisoner suits until the procedure has first been exhausted. Lawyers who represent prisoners, however, are wary of making the grievance procedure a prerequisite for court action unless the procedure assures inmates a full and fair determination of their claims. Although the court statistics do not yet permit firm conclusions to be drawn, many officials believe that grievance procedures are eliminating a substantial number of prisoner lawsuits, especially trivial ones, leaving more judicial time for significant issues. The judges, moreover, are now being furnished with records of administrative action on prisoner claims to help them come to a decision more readily.

How well a grievance procedure works appears to depend on several factors. One is the way inmates are informed about the procedure. Although some administrators believe that it is sufficient to post notices on bulletin boards, inmates often claim that not all prisoners know the procedure exists or are sure of the various stages in the appeal process. Special orientation sessions to acquaint the prison population—and the staff—with the details of the procedure seem warranted.

Individuals are notified of the results of their grievances, but the outcomes generally are not publicized to the inmate population as a whole. (Wisconsin, however, has printed the results in inmate newspapers.) In consequence, many inmates are unaware of the “success rate” and thus underestimate the utility of the grievance procedure. Not publicizing the outcomes also lessens the likelihood that the reviewing authority will be alerted, by the filing of new grievances, to the failure of lower-level officials to implement decisions.

To be effective, grievance procedures must appear fair not only to administrators but to inmates who use them. Administrators may sincerely believe that their procedures afford inmates a fair chance to have complaints resolved in their favor, while inmates may be convinced that the method of reviewing grievances stacks the decks against them. In Maryland, for example, an inmate thought it unfair for a member of the disciplinary board that convicted him to appear as the “prosecutor”

at the grievance commission hearing on the conviction; but to the commission the member was there merely to defend the board's decision.

To many inmates, the critical element of fairness in a grievance procedure is review by an independent authority. In Maryland, Wisconsin, and California, where there was some form of review by a panel or person not directly connected with the correctional administration, inmates believed that it improved their chances of getting a fair decision. They also felt, however, that the independent reviewer should have the final word, an arrangement which most correctional administrators consider unacceptable.

Grievance procedures differ in the types of cases they handle. In Maryland, complaints about disciplinary convictions predominated, but that issue was almost totally excluded from the Wisconsin grievance procedure. The kind of complaints that are allowed determines who uses the procedure most frequently. In Maryland, short-termers, worried about the effects of disciplinary convictions on their parole chances, filed the most complaints. In Wisconsin, the largest number of complaints came from long-termers, who have the greatest stake in changing prison conditions. They grieved about dress and grooming regulations, visiting privileges, medical treatment, recreational facilities, and commissary goods. In all grievance procedures, complaints about lost or stolen personal property were common.

The time it takes to resolve a grievance varies from one to another. In California, the initial disposition usually occurs within a few days of filing, while in Maryland it can take three months or more. Administrators argue that even a few months is far swifter than resolution by the courts, but procedure designers at the Center for Community Justice contend that complaints should not be pending that long. In some cases, the time limits allow complaints to become virtually moot: a sentence to isolation may be served before the grievance contesting it is processed. The delay is often caused by the limited amount of staff time available for considering complaints. Some officials responsible for grievance procedures, such as the Institutional Complaint Investigators in Wisconsin, have that as their only function, but some must take time from other duties. Even those who specialize in handling grievances are often overwhelmed with cases.

The degree of inmate participation in the procedure also varies greatly. In the federal system, the inmate merely files written complaints and receives written responses; he has nothing to do with what happens in between. In Maryland, the inmate has a hearing, affording him a chance to personally present his case and call witnesses. Wisconsin's Institutional Complaint Investigator contacts the inmate personally to

gather facts and often mediates a solution. In that state, too, there is the possibility—although so far infrequently realized—of inmates' representatives joining with officers to recommend dispositions for grievances. The California system allows inmates to participate with officers on first-level hearing panels and permits grievants to argue their cases personally at the advisory arbitration.

The transfer of arbitration from labor relations to corrections has apparently worked some modifications in this traditional dispute settlement mechanism. "The word arbitration scares the hell out of most administrators," one California official has admitted, "but to call our procedure arbitration is a bit misleading. A better term is a process of reconciliation." Some Youth Authority staff members who have served on a tripartite review panel contend that its goal must be to arrive at a compromise, enabling the decision to be unanimous. A 2-1 decision, they argue, presents a win-lose situation that does nothing to improve the relationship between inmates and staff. Even the sole arbitrator often finds that a compromise is the optimum outcome, not merely because it improves relationships between inmates and staff but because there simply are no rules comparable to those of a labor contract by which he can, in good conscience, make a decision.

In some cases, certainly, the arbitrator's sense of fairness is offended. When prison administrators enforce their own rules capriciously, discriminate against some inmates, or fail to give notice that certain acts are punishable, the arbitrator is on firm and familiar ground in finding a lack of due process. But what is an arbitrator to do when an inmate complains that a fairly enforced policy is objectionable or unreasonable? There is no written agreement between the parties by which such a claim can be tested. The arbitrator frequently must mediate his way out of this difficulty, and usually that is the best service he can perform, bearing in mind that his award is only advisory. Incorporating a compromise settlement in the award makes it more likely that the award will be enforced, although finding an acceptable compromise may require ingenuity and creative problem-solving. Neither the inmates nor administrators have had much experience in presenting cases, and it is often necessary for the arbitrator to actively elicit crucial information about the dispute that both sides may have neglected to provide.

Correctional arbitration is clearly a specialty that is still at an early stage of development, but most of those who have been involved in it are confident that the practical problems can be overcome. Inmates are certainly in favor of arbitration; the key question is whether the nation's prison administrators will ever have enough confidence in the process to concede some of their authority to arbitrators.

Industrialization and Variation in Social Structure: An Empirical Test of the Convergence Hypothesis

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Introduction

In *Industrialism and Industrial Man*, Kerr, Dunlop, Harbison, and Myers concluded that industrialization results in social systems becoming more uniform and societies, in general, more alike.¹ While the convergence hypothesis has generated a good deal of discussion and controversy in the intervening 15 years, empirical tests of the concept have been limited. This paper reports the major conclusions of a test of that hypothesis utilizing the techniques of cross-national research across a group of 93 countries.

Industrialization and Social Change

Reduced to its essence, industrialization entails the use of inanimate sources of power—tools and machines—to multiply human effort in production.² As its *raison d'être* is an increase in output per unit of (human) input, industrialization results in an increased societal emphasis on efficiency results which, given the nature of the machine, leads to larger-scale productive units.³ There is a central logic to industrialization which entails an increased emphasis on efficiency and scale.⁴

Widespread mechanization of production is difficult to achieve within the bounds of a traditional society where roles are diffused and ascribed, and the economic, social, and religious aspects of life are often interwoven as a whole cloth. The logic of the machine, the pressures exerted for increases in efficiency and scale, are inconsistent with the basic struc-

¹ Clark Kerr, John T. Dunlop, Frederick H. Harbison, and Charles A. Myers, *Industrialism and Industrial Man* (Cambridge, Mass.: Harvard University Press, 1960; New York, Oxford University Press, 1964), p. 238. The author would like to thank Charles A. Myers and Clark Kerr for their comments and encouragement. Thomas Barocci provided valuable comments on an earlier draft. This research was supported by a grant from the Inter-University Study of Human Resources in National Development.

² Marion J. Levy, Jr., *Modernization and the Structure of Societies: A Setting for International Affairs* (Princeton, N.J.: Princeton University Press, 1966; Princeton: Princeton Paperback, 1969), p. 11; Wilbert E. Moore, *Social Change* (Englewood Cliffs, N.J.: Prentice-Hall, 1963), p. 91; James Sidney Slotkin, *From Field to Factory: New Industrial Employees* (Glencoe, Ill.: Free Press, 1960), p. 13.

³ Kerr et al., *Industrialism . . .*, p. 21.

⁴ Kerr et al., *Industrialism . . .*, p. 15.

ture of traditional society.⁵ These prerequisites and concomitants of industrial evolution which "arise from the imperatives intrinsic to the process,"⁶ result in pressure for change. However, industrialization both causes and circumscribes the process of change: the social structures which evolve must be consistent with its requisites.⁷

Convergence

In their final review of *Industrialism and Industrial Man*, Dunlop et al. conclude that ". . . the logic of industrialization results in advanced industrial societies becoming more alike, despite cultural and political differences, and certainly more alike than any one of them is like a less developed country."⁸ However, they note that given political, social, and cultural differences, there will never be total convergence; convergence is towards a range of alternatives rather than a single point.⁹ While convergence appears both consistent with the logic of industrialization and intuitively reasonable, it must be defined operationally to allow empirical testing.

A change in social structure *produced* by industrialization is a necessary but not a sufficient condition for convergence. The sufficient condition requires that the requisites of industrialization limit or circumscribe the range or variation of an aspect of society. In operational terms, the necessary condition implies a correlation between industrialization and social change; the sufficient condition a reduction in the variation of indicators of social structure at higher levels of industrialization.

In what aspects of society might we look for a tendency toward convergence among advanced industrial nations? A final report on *Industrialism and Industrial Man* identifies nine elements of the logic of industrialization:¹⁰ development of a disciplined industrial workforce with a variety of jobs, the necessity of frequent occupational changes, the structuring of the labor force through a "web of rules," an educational system functionally related to the needs of industrialization, urban dominance, a larger role for government, the growth or imposition of a distinctive consensus, internal and external economic and technological

⁵ A traditional society is typically structured on the basis of small, agrarian, often ascriptive, independent, and self-sufficient, production-consumption units. This structure (which is obviously idealized, in Weber's sense) is not compatible with the requisites of broadscale industrialization.

⁶ Kerr, *Industrialism . . .*, p. 15.

⁷ As Levy notes, "The emphasis associated with high levels of modernization . . . limit(s) the possibilities of relationships in terms of which manufacturing can be carried out," p. 240.

⁸ John T. Dunlop, Frederick H. Harbison, Clark Kerr, and Charles A. Myers, *Industrialism and Industrial Man Reconsidered* (Princeton, N.J.: The Inter-University Study of Human Resources in National Development, 1975), p. 37.

⁹ Dunlop, *Industrialism . . . Reconsidered*, pp. 36 and 37.

¹⁰ Dunlop, *Industrialism . . . Reconsidered*, pp. 6 and 7.

integration, and scale in organization. In addition, in a 1971 postscript technology is posited to have a "direct and immediate impact" upon the spread of a consumer culture—the standardization of consumer goods and widespread ownership of durable goods—and on the development of the mass media.¹¹

Given our operational definition, we would not posit a tendency toward convergence in all of these elements of the logic of industrialization. While the ordering of the workforce through a web of rules, a larger role for government, a distinctive consensus, consumerism, and mass media penetration may be associated with industrialization, they are not *causally related* to its central logic. Nothing follows from an emphasis on efficiency and scale that would inexorably circumscribe the range of variation of any of these aspects of society.

On the other hand, we would hypothesize that differentiated roles (a wide variety of skills and occupations), vertical and horizontal mobility, integration, larger-scale operations, and an educational system functionally related to industrialization are requisites of that process. We would expect a tendency toward convergence—a circumscription of their variation at higher levels of industrialization—among these aspects of society. We now turn to quantification of these concepts and an empirical test of the hypothesis.

Methodology

The methodology is cross-national and cross-sectional with most data collected for 1968–70. All countries that were sovereign states as of 1970 and met size minimums—a population of one million and GNP of \$500 million—were initially considered. As five socialist poor countries had to be dropped due to data problems,¹² 93 countries are included in the analysis.

Raw indicators or attributes of political, social, and economic aspects of society corresponding to the elements of the logic of industrialization enumerated above and indicators of industrialization itself were collected from a large number of published sources.¹³ Nine of the eleven elements

¹¹ Clark Kerr, John T. Dunlop, Frederick H. Harbison, and Charles A. Myers, "Postscript to Industrialism and Industrial Man," *International Labour Review*, vol. 103 (1971), p. 530.

¹² Albania, China, North Korea, Mongolia, and North Vietnam were dropped as an average of one half of the variables would have to have been estimated for each of these countries.

¹³ Data sources included various United Nations Yearbooks, the *Yearbook of Labour Statistics*, World Bank publications, and university data banks such as: Charles Lewis Taylor and Michael C. Hudson, *World Handbook of Political and Social Indicators: Second Edition* (New Haven, Conn.: Yale University Press, 1972) and Arthur S. Banks, *Cross-Policy Timeseries Data* (Cambridge, Mass.: MIT Press, 1971). A complete list of variables and their sources is available from the author.

could be quantified; indicators corresponding to the "web of rules," and the tendency toward larger-scale institutions could not be found. The definition of industrialization, the application of inanimate sources of power to production, suggests power consumption per capita as a basic indicator. To provide a measure of the breadth of industrialization, energy consumption is adjusted by the percent of the economically active population employed in manufacturing. The countries included in the study are then grouped into quartiles based on their levels of industrialization.¹⁴

Only eight of the elements of industrialization are actually included in the study, as urban dominance is included in mobility. Indicators were chosen based upon conceptual correspondence, and then the list was modified to reflect actual patterns of variation and correlation within the data.¹⁵ The elements are qualified as follows:

1. *Concentrated Work Force, Wide Variety of Skills* (role differentiation). Percent of economically active population not employed in agriculture plus percent receiving wages and salaries.
2. *Mobile and Open Society* (mobility). First-level school enrollment ratio, plus percent literate, plus percent in urban areas of 100,000 or more.
3. *Educational System Functionally Related to Industrialization*. Percent university graduates in science and engineering. Also second-level enrollment ratio plus third-level ratio with latter weighted by factor of five. (Harbison-Myers index of Human Resource Utilization.)

¹⁴ Power consumption per capita alone may be misleading as very resource-intensive countries can consume relatively large amounts of power in an isolated economic (or geographic) sector. Thus, quartiles are established based upon power consumption per capita adjusted for the percentage of the active population employed in manufacturing. An index of industrialization utilized later in the analysis was computed by converting both the log of energy consumption/capita and the percentage in manufacturing to standardized *t*-scores and then dividing the latter by four and adding. One country, South Africa, was dropped from the first to the second quartile on judgment due to its very singular pattern of development. Countries were included in quartiles as follows:

1. Argentina, Australia, Austria, Bel.-Lux., Can., Den., Fin., Fr., W. Ger., Ire., Isr., It., Jap., Neth., N.Z., Nor., Swed., Switz., U.K., U.S., Bulg., Czech., E. Ger., Hung., Pol., Rom., U.S.S.R.
2. S.Afr., Alg., Braz., Chile, Col., Greece, Iran, Jam., S.Kor., Leb., Malaysia, Mex., Pan., Peru, Port., Sing., Spain, Syr., Taiwan, Trin. & Tob., Turk., Urug., Ven., Zamb., Yug., Cuba.
3. Bol., Cey., C.Rica, Dom.Rep., Ecua., El Sal., Ghana, Guat., Hon., India, Iraq, I.Coast, Jord., Kenya, Libya, Moroc. Nic., Pak., Parag., Phil., S.Arab., Seneg., Thai., Tun., UAR, S.Viet.
4. Afghan., Burma, Camb., Camer., Ethio., Indo., Madag., Nep., Nigeria, Sudan, Tanz., Uganda, Zaire.

¹⁵ Both correlation and factor analyses were used as a check on the validity of indicators.

4. *Mass Media Penetration.* Newspaper circulation per capita plus radios per capita.
5. *Consumerism.* Televisions per capita plus automobiles per capita.
6. *Larger Role of Government.* Nondefense government expenditure as a percent of GDP.
7. *Internal Integration.* Extent of cultural and linguistic fractionalization.
8. *Consensus.* Antigovernment protest demonstration plus government sanctions.

Missing data, which amount to 1 percent of the cells of the matrix, are estimated via regression on other conceptually related and highly correlated indicators. Given the problems of accuracy and comparability of data which arise when one works with statistical indicators across large numbers of countries at various developmental states,¹⁶ relatively simple and straight-forward techniques are used to test the hypotheses. These can best be explained in the context of the findings.

Findings

As discussed above, convergence implies a reduction in variation for a given aspect of society at higher levels of industrialization. This suggests a simple test. In Table 1 the means and standard deviation of each indicator are compared for each of the four levels of industrialization with and without the socialist countries¹⁷ included. In addition, the simple correlation between each of the indicators and industrialization is shown. (Class 1 includes the advanced industrial countries.)

The results are reasonably clear. Role differentiation and mobility exhibit a tendency toward convergence; the standard deviation for both

¹⁶ Problems of accuracy and comparability of data are common in cross-national research. Developing countries, almost by definition, face a shortage of administrators and technicians. It is also not reasonable to expect that collection procedures are standardized within countries, much less between countries. However, the major problem may be conceptual; there is often no commonly agreed-upon definition of an indicator of a given aspect of society. Data problems are further exacerbated by the use of a cross-sectional methodology to test a longitudinal phenomenon. This requires an assumption that individual observations or cases represent points on a longitudinal path; that nations at various developmental states represent one nation evolving over time. However, the problem is mitigated in this instance. While convergence is a historical phenomenon, it is posited to be a function of industrialization rather than time. Thus, comparing nations at various states of industrialization cross-sectionally makes sense. For a discussion of the problems posed by difficulties in dealing with historical phenomena cross-nationally, see Bruce M. Russett, "The Yale Political Data Program: Experience and Prospects," in *Comparing Nations: The Use of Quantitative Data in Cross-National Research*, eds. Richard L. Merritt and Stein Rokkan (New Haven, Conn.: Yale University Press, 1966), p. 104.

¹⁷ In addition to substantive differences in the structure of society, the major differences between market and socialist economies affect the nature of data collected. Thus there may be a problem in comparability of data, even when indicators are nominally similar.

TABLE 1
Means and Standard Deviations

Indicator		Level of Industrialization					
		I	I - S ^a	II	II - S ^a	III	IV
Role differentiation	\bar{x}	160	168	120	119	82	35
$r = .88^b$	σ	23	13	29	29	29	17
Mobility	\bar{x}	237	242	190	188	134	92
$r = .82$	σ	20	19	40	41	43	52
Media	\bar{x}	655	702	233	236	120	51
$r = .80$	σ	286	306	119	123	81	50
Consumerism	\bar{x}	385	443	75	73	23	4
$r = .80$	σ	175	157	49	50	20	3
Human resources	\bar{x}	903	958	373	363	224	56
$r = .73$	σ	412	443	226	215	211	41
Science grads	\bar{x}	282	243	245	238	175	169
$r = .43$	σ	104	86	89	89	80	92
Government spending ^c	\bar{x}	163		140		144	139
$r = .17$	σ	55		47		54	67
Protest	\bar{x}	75	81	70	71	61	67
$r = .08$	σ	179	207	68	70	102	87
Fractionalization	\bar{x}	24	23	35	34	41	68
$r = .43$	σ	22	21	25	27	30	26

^a Less socialist countries.

^b Simple correlation with industrialization.

^c Not available for the socialist countries.

indices is smaller among the advanced industrial countries (I) than among the other groups. Two points are of interest. First, there is considerably more variation in role differentiation among the advanced industrial countries when the socialist countries are included than when they are not. This reflects the fact that the Eastern European states have three times the agricultural population of the other advanced nations and, to a lesser extent, a smaller percentage of the active population receiving wages and salaries.¹⁸

Second, the variation in role differentiation among the least industrialized countries (Group IV) is quite limited. This is not unreasonable as one would expect these countries, which approach ideal traditional societies, to reflect rather homogeneously a pattern of diffused roles.

The indicator of internal integration (cultural and linguistic fractionalization) also shows a tendency toward convergence, although its association with industrialization is weaker than that of either role differentiation or mobility. Again, the variation among the least industrialized countries (Group IV) is lower than that among the countries in transition.

¹⁸ One cannot dismiss the possibility of a problem of comparability. Energy consumption of the advanced socialist countries may be overstated relative to the advanced market economies.

While indicators of mass media penetration and a consumer culture are both highly correlated with industrialization, they exhibit a pattern of divergence with considerably greater variation among advanced industrial countries than in any other group. Surprisingly, the two indices of the relation of the educational system to industrialization do not exhibit any signs of convergence. On the contrary, the index of human resource utilization shows a marked tendency towards divergence.

The indicators of government involvement and consensus do not satisfy even the necessary, much less the sufficient, condition for convergence. Their correlations with industrialization (.17 and .08, respectively) are quite low, and thus one cannot reasonably discuss the effect of industrialization on either variable.¹⁹

Since convergence is postulated to be a function of industrialization, examination of the residuals (observed minus predicted values) of a given aspect of society regressed on industrialization provides a second test of the hypothesis. Regression analysis assumes that the errors are independent, have a zero mean and a constant variance, and are normally distributed.²⁰ However, if the convergence hypothesis is correct, the assumption of a constant variance should be violated; the residuals should be a decreasing function of industrialization.

Specifically, we regress each index of an aspect of society on industrialization and then regress the residuals on industrialization, the original independent variable. If the assumptions of regression analysis hold, the coefficient of industrialization should not be significantly different from zero—we should accept the null hypothesis. If the convergence hypothesis is correct, the coefficient should be both significant and negative.

Table 2 contains the results of regressions of five of the indices on industrialization.²¹ Four indices—university graduates in science, government expenditure, fractionalization, and protest—were not included in this test of the hypothesis because of their weak association with industrialization. Table 3 presents the results of the residuals of Equations 3–7 regressed upon the independent variable, industrialization.

The results are consistent with the first test of the hypothesis. The regression coefficients for both role differentiation and mobility are significant and negative. Again, as Equation (9) indicates, the tendency

¹⁹ There is some evidence that political violence bears a curvilinear relationship to industrialization, with violence at a maximum during the transitional state and relatively low among very poor and very advanced countries. See Douglas A. Hibbs, *Mass Political Violence: A Cross-National Analysis* (New York: Wiley, 1973).

²⁰ N. R. Draper and H. Smith, *Applied Regression Analysis* (New York: Wiley, 1966), p. 86.

²¹ The indices were regressed on the index of industrialization described in fn. 14.

TABLE 2
Regressions on Industrialization

Dependent Variable	R ²	Constant	b	F	d.f.	
Role differentiation	.77	-114.03	3.57	310.6	91	(3)
Mobility	.67	-95.59	4.32	186.7	91	(4)
Media	.64	-909.37	19.32	160.7	91	(5)
Consumerism	.64	-632.30	12.37	163.2	91	(6)
Human resources	.54	-1140.44	25.30	106.8	91	(7)

TABLE 3
Regression of Residuals

Dependent Variable (Residual)	R ²	Constant	b	F	d.f.	
Role differentiation	.03	.61	-.004	2.33	91	(8)
(Without least industrialized countries)	.08	.92	-.008	6.52	78	(9)
Mobility	.07	.92	-.008	6.54	91	(10)
Media	.07	-.24	.01	6.75	91	(11)
Consumerism	.17	-.40	.01	18.06	91	(12)
Human resources	.12	-.46	.01	12.08	91	(13)

toward convergence in role differentiation is stronger when one eliminates the least industrialized countries. Mass media penetration, the spread of consumerism, and higher-level education again show a tendency toward divergence. Their coefficients are significant and positive. The variance of their errors grows larger with industrialization.

Conclusions

We have defined convergence in terms of a causal relationship to the mechanization of the productive process that results in a circumscription of the variation of a given aspect of society at higher levels of industrialization. The findings of the study are consistent with this limited version of the convergence hypothesis. There is a clear reduction in the variation of indicators of role differentiation, mobility, and internal integration among the advanced industrial nations. Furthermore, while differences between socialist and nonsocialist countries were noted (particularly for role differentiation), the effects of industrialization appear to override differences in socioeconomic systems.

However, convergence does not appear in aspects of society which are not requisites of the process of industrialization. Indeed, while levels of mass media penetration and ownership of consumer goods certainly increase with industrialization, there appears to be a divergence in the variance of these two indicators among advanced industrial countries. Rather than restricting the range of variation, industrialization results in greater diversity and choice.

We did not find either the role of government or the level of consensus within society to be strongly associated with industrialization. This may reflect an increasing tendency toward government participation at all levels of industrialization and increased dissatisfaction with industrialized society.²²

It is rather difficult to explain why indicators of the functional relationship of education to industrialization do not reveal the postulated tendency toward convergence. First, as is true in any cross-national study, the indicators may be misspecified conceptually and/or invalid or inaccurate measures of the concept. On a more substantive level, one can speculate that government assistance to higher education may be more important than the level of industrialization or that there may be a discontinuity between the educational system and the industrial sector in many poor countries.

Heilbroner has observed that even though capitalist societies may differ widely in political and social institutions when we look at their productive institutions, we are "struck by their common attributes, above all by their organization along lines of efficiency, mass production, more or less continuous flows of outputs."²³ Extending the argument to advanced industrialized societies in general,²⁴ we would add that this study indicates that these "common attributes" require a circumscription of the possible variation in social structures directly affected by industrialization.

²² Kerr et al. reconsidered their views on consensus in their 1971 postscripts. See Kerr, "Postscript . . .," p. 530 and 531.

²³ Robert L. Heilbroner, *Business Civilization in Decline* (New York: Norton, 1976), p. 54.

²⁴ Heilbroner also suggests that industrialization may transcend socioeconomic systems. See p. 58.

DISCUSSION

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I read Mr. Bankston's paper with a great deal of interest since it examines systematically an issue of friendly debate among arbitrators—do lawyers make as good arbitrators as economists?

Bankston avoids this normative question, but finds that there are differences in attitudes between the two groups on some labor questions. He concludes that arbitration would be best served by encouraging some specialization among arbitrators and some strategic awareness among the parties of differences among arbitrators. My own reading of his analysis suggests a slightly different assessment of the data and raises some slightly different questions.

First, I am struck more by the similarity between the attitudes of lawyers and economists than I am by the differences. Among the eight dimensions studied, only half show significant differences between the groups. For those dimensions where differences are significant, the degree does not appear dramatic except on the issue of compulsory arbitration.

This finding is not surprising as the population studied consists of the most active, seasoned veterans in the business. This group of arbitrators tends to be older, further removed from the prejudicial effects of their education, has shared in the leveling influence of common experiences in labor arbitration, and has debated among themselves (more or less to finality) the issues that often divide lawyers and economists. In this respect, the sample may *underestimate* differences in the profession as a whole.

On the other hand, the data may *overestimate* differences in that attitudes on labor issues need not filter through to arbitration decisions. While arbitrators may favor unions as part of a system of industrial democracy, or may believe in efficiency or in legal intervention in industrial relations, at the arbitration table we try to minimize the degree to which these views intrude into our judgment.

Finally, in pursuing his research, Bankston should consider several complexities which are neglected in his analysis.

1. The simple model in which inputs by the parties are passed through the arbitrator's attitudes and converted into an award does not recognize that the arbitrator may also seek to shape the nature of the inputs themselves. It is not uncommon for an arbitrator, particularly when the parties are not skilled in their presentations, to assist in the

development and structuring of the inputs into the case. The arbitrator may also seek to influence the process of settlement, particularly when a case can be mediated. In short, the model needs more feedback loops to be realistic.

2. The dimensions studied may not always clearly indicate how an arbitrator's attitudes will affect a decision. For example, an arbitrator who believes in the importance of managerial prerogatives may just as easily conclude that management has been negligent in exercising these prerogatives as in concluding that they should be protected. Reading an award is probably a better measure of results than attitudes. Analyzing the relationship between awards and attitudes would provide a good test of the usefulness of attitudes as a measure of arbitrator bias.

3. The process of selecting an arbitrator may hinge less on the probability of victory than on the prospects of getting a "reasonable" award. While I am not suggesting that the parties don't care about winning, there are numerous cases where a party has a losing case and needs to lose it wisely; or where minimizing the risk of an award may be more important than winning.

None of these comments should detract, however, from laudable efforts in this paper to shed systematic light on a process that is too often dominated by case-by-case analysis.

The Dworkin paper nicely complements the Bankston paper by giving us some information on the strategic behavior of the parties as they approach final-offer arbitration.

The data presented on the pattern of offers and the utilization of the final-offer procedure speaks for itself. I would, however, be somewhat skeptical about placing much weight on trends over a two-year period. Whenever a new procedure is developed in collective bargaining, there has to be a period of testing and exploration while the parties discover its strengths and limitations and seek to learn to use it to advantage. For this reason, a longer period of study is needed.

It is also important to look beneath the numbers. For example, to what extent were early cases deliberately developed to test the rules of wage-setting by neutrals? Were awards favorable to the players in 1974 directed at inequities which, once removed, did not need to be relitigated in 1975? Are there significant "club" effects in the use of the procedures? Where settlements occur, is this before the hearing stage, during the hearings, or after the final offers are made? Only by delving more deeply into these issues can reliable inferences be drawn.

It should also be noted that the transferability of the baseball experience to the public sector may be limited. Most final-offer procedures are found in public sector disputes and are a substitute for *collective*

strikes. The range of issues often goes far beyond money into areas of management prerogative and governmental sovereignty. In these areas, there are substantial differences in attitudes among states and municipalities. Moreover, final-offer arbitration may only be a "way station" to further tests in the courts.

The slice of industrial relations experience reported in this paper is, however, a useful part of the debate on the effect of final-offer arbitration on bargaining.

The brief paper by Ms. Denenberg gives us some sense of the spread of arbitration procedures into the penal system. While the paper describes how arbitration might be used outside of the usual labor relations context, and gives us some feel for the reactions of the parties to such experiments, its broader merit lies in its contribution to a small but growing literature on industrial relations in nonunion situations.

The development of a private system of jurisprudence within prisons has its counterpart in the growth of grievance procedures under unilaterally issued employee handbooks in many nonunion enterprises. Indeed, this development is likely to be a major obstacle to union organization in the future.

For the practice of arbitration, these nonunion situations raise many interesting questions. How are the settlements affected by lack of union representation? How can general industrial relations policy be shaped through arbitrations when there is no collective standing of the case? How is "silence" in work rules to be treated when only one side has the ability to articulate them? What posture should a "neutral" adopt in a hearing where one party may have substantially greater power or control over the proceedings?

The publication of *Industrialism and Industrial Man* has led to considerable controversy over the relationship between economic development and social and economic structure and is even the subject of a session at these meetings. One element in the controversy has been the convergence, or lack thereof, in the social and economic systems of different countries.

Underlying this debate is a "one god" theory of industrialization, namely, that all countries will seek to grow, and that the drive for growth forces countries to confront common economic and social problems. Convergence results when the solutions to common problems adopted by different countries begin to look like one another. In their latest thinking in the area, Kerr et al. opt for a fairly safe position—namely, that growth and common problems prevail but that intercountry differences will lead only to partial convergence or to total convergence only in the sense that solutions to common problems will be found, but that they may look very different in different countries.

There is, however, a second (and often Marxist) line of thinking about patterns of industrialization which sees solutions to the technical problems of industrialization ultimately leading to a radical reorganization of social and economic relationships. Instead of stressing the inexorable logic of industrialization, this view is concerned with the tension between classes and with the evolving distribution of economic and political power in society.

Kobrin deliberately confines his study of industrialization to the more traditional questions. He is well aware of the limitations of his data in testing convergence, and these need not be dwelled upon.

His paper mainly shows that many social indicators of industrialization change in roughly similar ways as countries develop. This finding provides a profile of the development process. It doesn't deal with causalities among social indicators. It doesn't really measure industrial relations changes which are at the heart of the analysis in *Industrialism and Industrial Man*. Nor does it examine issues of power and its exercise by particular groups during the development process. Finally, it neglects issues of inequity and income distribution which are attracting considerable attention in the third world context.

Kobrin has pushed his numbers hard and it is remarkable that he should have been so successful in getting reasonable results from motley data. But the question of the inevitability of social and economic convergence remains unresolved. His paper implicitly raises the issue of whether convergence is best studied as a process by which social indicators move in similar directions or as a process affecting the distribution of political and economic power. The latter approach prompts questions such as how groups in society seek to redefine their economic relationships over time. How do they intend to interact with government to affect economic structures? And how are power and ideology used to shape society?

VII. RACE DIFFERENTIALS IN THE FEMALE WORKFORCE

EEO Laws and the Earnings of Women*

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The question of whether Equal Employment Opportunity (EEO) laws improve the economic position of women and minorities carries considerable public policy interest. In order to justify the expenditure of (additional) federal resources, social programs are often subjected to close public scrutiny. As women and minorities demand stricter and more extensive enforcement of EEO laws, it is important to know whether the existing programs are effective.

Two federal programs promote EEO for women and minorities. The federal contract compliance program, commonly referred to as affirmative action, follows Executive Order 11246, issued in 1965, as amended and covers employment practices in firms holding federal contracts. Title VII of the Civil Rights Act of 1964, as amended in March 1972 (Title VII), covers employment practices in a broader range of firms—those with 15 or more employees, state and local governments, and educational institutions. Despite its broader coverage, the scope of enforcement activities under Title VII is limited almost exclusively to the processing of individual charges of discrimination. Affirmative action programs set goals and timetables for broad ranges of job categories and for multiple groups; these programs are not an inherent part of the typical Title VII settlement. Title VII enforcement activities, though generally of “limited scope,” nevertheless may provide a deterrent against all forms of discrimination. Under both laws, employment practices are defined broadly to include discrimination in hiring, discharge, transfer, training, compensation, and other terms and conditions or privileges of employment.

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In this paper, we analyze the impact of these two programs on the absolute level of the earnings of black and white working women over the period 1967-74. There is little empirical evidence on the effect of EEO laws on earnings. Moreover, the evidence that is available shows mixed results. Two time-series studies show evidence of an upward trend in the earnings of blacks relative to whites after the passage of Title VII in 1964. Both conclude that this trend is attributable to the effect of Title VII.¹ Two cross-sectional studies found that between 1959 and 1969 enforcement of EEO laws reduced the earnings of black males relative to white males.²

Elsewhere I have discussed in detail the expected effects of enforcement of the employment and wage provisions of EEO laws on relative earnings in the economy.³ Covered firms in violation of the employment provision increase their demand for the minority group relative to the majority. If compliance with this provision results in an upgrading of minority workers, then enforcement will increase average relative earnings. Although relative earnings increase in those covered firms that previously violated but now comply with the wage provision, these firms hire less of the more costly minority labor than they otherwise would have (assuming that they were in equilibrium previously). The resulting unemployment of minority group workers will put downward pressure on relative earnings in the rest of the economy. Hence, on the average, enforcement of the wage provision may increase or reduce relative earnings. Thus, the overall effect of enforcement on relative earnings in the economy, the net effect of enforcement of these two provisions, is ambiguous.

Specification of the Model

Our model is a modified version of the human capital earnings function which relates an individual's earnings to its basic determinants. We estimate earnings functions for time periods before and after enforcement takes place, with the enforcement variables included in both cross-sections. In the equation for the preenforcement cross-section, the enforcement variable represents anything that varies systematically, among states (Title VII) or industries (contract compliance), with sub-

¹ Richard B. Freeman, "Changes in the Labor Market for Black Americans, 1948-72," *Brookings Papers on Economic Activity*, 4 (1:1973), pp. 67-131; Wayne Vroman, "Changes in the Labor Market Position of Black Men Since 1964," in *Proceedings of the 27th Annual Meeting, IRRRA* (Madison, Wis.: The Association, 1975), pp. 294-306.

² Andrea H. Beller, "The Economics of Enforcement of Title VII of the Civil Rights Act of 1964," Discussion Paper 313-75, Institute for Research on Poverty, University of Wisconsin, October 1975; James P. Smith and Finis R. Welch, "Black/White Male Earnings and Employment: 1960-70," R-1666-DOL (Santa Monica, Calif.: Rand Corporation, June 1975).

³ Beller, pp. 3-10.

sequent variation in enforcement activity. For example, states that have greater enforcement activity may have higher earnings than other states prior to enforcement due to the social activism of the population. Industries that sell a large portion of their output to the federal government may have higher wages than other industries due to factors such as cost-plus pricing. If the relationship between enforcement and earnings changes after enforcement takes place, we can argue that the difference is attributable to enforcement activities.⁴ The functions are specified as follows:

$$(1) \quad \ln W_{i,t} = b_t + E_{j,t} \beta_t + F_{i,t} \gamma_t + X_{i,t} \delta_t + u_t$$

$$(2) \quad \ln W_{i,t-1} = b_{t-1} + E_{j,t} \beta_{t-1} + F_{i,t-1} \gamma_{t-1} + X_{i,t-1} \delta_{t-1} + u_{t-1}$$

where $\ln W_i$ = the natural logarithm of weekly earnings of the individual woman; E_j = a vector of enforcement variables assigned to each individual on the basis of geographic area and type of employer for Title VII and industry of employment for federal contract compliance; F_i = a vector of female labor force commitment characteristics; X_i = a vector of the usual variables included in the human capital earnings function; β, γ, δ = vectors of parameters on enforcement, labor force commitment, and human capital variables, respectively; u = a disturbance term with the classical properties; $t = 1974$; and $t-1 = 1967$. The estimated effect of enforcement on earnings is equal to $(\beta_t - \beta_{t-1})$.

E_j includes measures of enforcement of Title VII and of federal contract compliance. Enforcement of Title VII is measured by two types of variables. The first, the incidence of enforcement, is estimated by the ratio of total investigations completed by the EEOC to the number of women (from the subgroup in question) who worked during 1970. This variable, which is designed to measure enforcement visibility, has been discussed extensively in my earlier paper on this subject.⁵ The greater the visibility of enforcement, the greater the deterrent effect of enforcement and the greater the expected effect of enforcement on earnings. Enforcement of Title VII is also measured by the probability of a successful settlement of a case, estimated by the ratio of successful settlements to attempted settlements. This variable measures the probability that, once there is a cause finding in a case, the employer involved will increase the wages of an individual or group of individuals discriminated against, hire or promote a minority group member or woman, etc. Given

⁴ This model is incomplete in the sense that we cannot establish with certainty a causal link between enforcement activities and earnings. It may be that pressures brought about by civil rights activists cause both high levels of enforcement and greater increases in earnings. If we could measure social activism, we could specify a model that took it into account. Unfortunately, it is not possible to do so at the present time.

⁵ Beller, pp. 10-12.

the incidence of enforcement, the greater the probability of a successful settlement, the greater the expected marginal penalties for discrimination and the greater the expected effect of enforcement on earnings.

Each of these two measures has been further classified by the period during which enforcement took place and by the basis of the original charge of discrimination. We have distinguished between enforcement which took place before and after Title VII was amended in March 1972. In addition to expanding the law's coverage, the amendments gave the EEOC the right to sue a respondent, thereby granting stricter enforcement powers to the enforcement agency. It is hypothesized that, as a result of the greater coverage and stricter enforcement powers, enforcement in the later period would have a stronger effect on earnings than enforcement in the earlier period. We have also distinguished between enforcement on the basis of race (black) discrimination and on the basis of sex discrimination. Of the race discrimination charges, we have included only those filed by females. We estimate the effect of enforcement for race discrimination on the earnings of black females and of sex discrimination on the earnings of all females. Each of these eight measures has been assigned to women in the sample on the basis of (1) geographic location—23 state groups, and (2) class of worker—private wage or salary and government, or industry of employment in the case of persons employed by educational institutions.⁶

Enforcement of the federal contract compliance program is measured by a single variable, the federal share of industry product, estimated by the ratio of purchases by the federal government to value-added originating in an industry. It has been hypothesized by Smith and Welch that federal efforts on affirmative action are likely to be more successful in industries in which the government is a major purchaser than in industries in which government purchases account for only a small share of the total output.⁷

F_4 measures identifiable characteristics, considered to be proxies for female labor force commitment, that have been found to be associated with earnings differentials among women. We have included in the F_4 vector the traditional marital status variables, dummies representing single and other married (the omitted category is married, spouse present), and a variable representing the number of children. In addition, we include two measures of current labor supply, weeks worked

⁶ The class-of-worker distinction is made because employees of state and local governments and educational institutions were not covered by Title VII until after it was amended in 1972. Hence, we computed separate measures of enforcement for the private sector, excluding educational institutions, and for government and educational institutions.

⁷ Smith and Welch, p. 10. I wish to thank these authors for allowing me to use their data on government shares of industry output.

last year (in logs), and whether work last year was part time. Recent work has shown that, due to heterogeneity in the female workforce, current work status is a good predictor of the lifetime labor supply of women.⁸ Moreover, differences among women in expected labor force participation over the life cycle lead to differences in postschool investment and hence, to differences in earnings.⁹ In light of the heterogeneity argument, current work status may be a relatively good proxy for post-school investment, which cannot be measured directly. Finally, we introduce a proxy for specialization in home activities. This variable, a dummy which takes on the value of 1 when a woman reports the main reason for part-year work as home activities, is intended to capture the woman's own evaluation of her commitment (whether out of preference or necessity) to home specialization.

The X_i vector represents other variables that are known to affect earnings. These include years of schooling, experience, region, urban-rural residence, and race, as well as a dummy for employment by government since government earnings are known to be higher than in the private sector. These variables are measured in the usual manner.

The data sources for earnings and the variables included in the F_i and X_i vectors are the U.S. Census Bureau's Annual Demographic File of the 1975 and 1968 Current Population Survey (CPS). We have included in our sample all women who worked and had at least \$100 in wage or salary income in 1974 or 1967. Self-employed women are excluded. A total of 21,181 white women and 2,681 black women are included in the 1974 sample, and 20,690 white women and 2,944 black women in the 1967 sample. The relatively small number of black women causes relatively large sampling errors, making it more difficult to observe statistically significant changes in earnings for this group than for white women.

Summary of Findings

Table 1 presents the sample mean incidence of enforcement and probability of successful settlement by basis for the periods before and after Title VII was amended. After the law was amended, the mean incidence of enforcement for sex discrimination tripled; however, it remains lower than for race discrimination. For both bases, the mean probability of successful settlement increased following amendment, at-

⁸James J. Heckman and Robert J. Willis, "A Beta-Logistic Model for the Analysis of Sequential Labor Force Participation by Married Women," *Journal of Political Economy*, forthcoming.

⁹Jacob Mincer and Solomon Polachek, "Family Investment in Human Capital: Earnings of Women," *Journal of Political Economy*, vol. 82 (March/April 1974), pp. S76-S108.

TABLE 1
Sample Mean Incidence of Enforcement and Probability of Successful
Settlement by Basis, for the U.S., 1968-74

	1968- March 1972	April 1972 -1974	Difference of Means
Incidence of enforcement (per 1000 employees ^a)			
Sex	0.1	0.3	+0.2
Black female	0.9	1.7	+0.8
Probability of successful settlement (given cause finding and attempted settlement)			
Sex	.501	.541	+0.040
Black female	.460	.529	+0.069

Source: Equal Employment Opportunity Commission charge inventory data.

^aThe base for sex (race) discrimination charges is all women (black women) who had private wage and salary or government employment during 1970.

taining a better than 50 percent chance that a settlement will be successful.

We estimated earnings functions for women for 1967 and 1974. From these equations we computed the effect of enforcement of Title VII as the difference between the estimated coefficients on the enforcement variables from the two cross-sections. These estimated coefficient differences are presented in the upper panel of Table 2. It was hypothesized that, as a result of greater coverage and stricter enforcement powers, enforcement in the later period would have a stronger effect on earnings than enforcement in the earlier period. The significance of the incidence of enforcement variables only is consistent with this hypothesis. Given the argument that the incidence of enforcement measures visibility of enforcement, these results probably reflect the impact of the law's extended coverage. As suggested earlier, the relatively small number of black females in the sample makes it more difficult to observe statistically significant changes in earnings for this group than for white females. The effect of enforcement of sex discrimination charges on the earnings of all females is in every case more significant than the effect of race discrimination charges on the earnings of black females; the two cases for which the effect of enforcement is insignificant are for black females.

According to the estimated coefficients, during the later period an increase in the incidence of enforcement for sex discrimination of three investigations per 10,000 working women (the mean value of this variable) increases earnings by 2.4 percent; an increase in the probability of successful settlement from .4 to .6 increases earnings by 1.6 percent. Both the incidence and success measures show a net effect on earnings which is positive for two out of the four period-basis groups, insignificant for one out of the four, and negative for one out of the four. Moreover,

TABLE 2
Magnitude and Significance of Effect of Enforcement of Title VII for Race and Sex Discrimination on Female Earnings Without and With Control for Industry and Occupation for the United States, 1967-74

Weekly Earnings of (Basis)	Incidence of Enforcement	Probability of Successful Settlement
No Control for Industry or Occupation		
<i>1968-March 1972</i>		
Black females (race)	None	+.141 (1.93) *
All females (sex)	+.163 (1.97) **	-.078 (2.31) **
<i>April 1972-1974</i>		
Black females (race)	-.032 (2.20) **	None
All females (sex)	+.081 (2.73) ***	+.080 (2.24) **
Controlling for Industry and Occupation		
<i>1968-March 1972</i>		
Black females (race)	None	+.110 (1.65) *
All females (sex)	+.144 (1.81) *	None
<i>April 1972-1974</i>		
Black females (race)	None	None
All females (sex)	+.052 (1.82) *	+.063 (1.85) *

Source: 1968 and 1975 CPS. The equations from which these coefficient differences were computed are available from the author upon request.

*, **, *** Significant at the 10%, 5% and 1% levels, respectively.

evaluated at their mean values and summing over both periods, each measure shows a net positive impact on the earnings of women. Evaluated at its mean, the incidence of enforcement for sex discrimination increased female earnings by 1.8 percent during the early period and 2.5 percent during the later period for a total increase of 4.3 percent. Evaluated at its mean, the probability of successful settlement for sex discrimination reduced female earnings by 3.9 percent during the early period, but increased them by 4.3 percent during the later period for a net increase of 0.4 percent. Combining both measures evaluated at their means, enforcement for sex discrimination during the period 1967 through 1974 caused the 1974 earnings of women to be 4.7 percent higher than they otherwise would have been. The probability of successful settlement for race discrimination increased the earnings of black females by 6.5 percent during the early period; the incidence of enforcement decreased black female earnings by 5.3 percent during the later period. The net effect of enforcement for race discrimination between 1967 and 1974 on the earnings of black females in 1974 was an increase of 1.2 per-

cent. Therefore, the net effect of enforcement of Title VII on the earnings of black women and all women between 1967 and 1974 (a period during which the economy experienced a recession) was positive.

The effect of enforcement on earnings can arise in two ways. Enforcement can affect earnings within industries and occupations and/or can change the distribution of women across industries and occupations. Industrial and occupational distributions may improve as a result of lessening of entry restrictions or may deteriorate as a result of (1) enforcement of the wage provision which, by reducing the employment of women in the covered sector, may force some women to take lower-paying jobs outside the covered sector or, (2) if enforcement increases labor force participation and the new entrants or reentrants move into relatively low-paying jobs. By controlling for industry and occupation, we can determine what portion of the effect of enforcement on earnings is due to changes within industries and occupations; the remainder is due to shifts in employment across industries and occupations. These effects were combined in the estimates discussed above. The lower panel of Table 2 shows the estimated effects of enforcement on earnings within industries and occupations. While all of the positive coefficient differences in this panel are slightly smaller than the comparable ones in the upper panel, both of the negative coefficients, which are among the most significant in the upper panel, disappear. These results imply that (1) most, but not all of the increase in earnings due to enforcement comes from increases within industries and occupations, with the balance of the increase due to the lessening of entry restrictions across industries and occupations; and (2) the entire decrease in earnings due to enforcement comes from shifts in employment across industries and occupations.

The difference between the estimated coefficients on the federal contract compliance variable in the later and the earlier cross-sections is positive and significant at the 10 percent level when we do not control for industry and occupation; the difference is insignificant when we control for industry and occupation. These results suggest that affirmative action has a small positive effect on the earnings of women due entirely to lessening of entry restrictions across industries and occupations.

In two more complex versions of the model, we tested for a differential in the effect of enforcement of Title VII for sex discrimination on the earnings of black and white females and for an effect of enforcement for race discrimination on the earnings of white females. The effects of enforcement for sex discrimination are in the same direction for both races and are of a slightly larger magnitude for black females. Enforcement for race discrimination has no significant effect on the earnings of white females.

Conclusions and Policy Implications

It has been found that both federal programs designed to promote EEO for women and minorities, Title VII of the Civil Rights Act of 1964 and federal contract compliance, increased the earnings of black and white working women between 1967 and 1974. Moreover, we found that the programs are effective in different ways, and conclude from this that they are complementary tools for reducing discrimination in employment. Enforcement of Title VII increases earnings primarily within industries and occupations. It also causes some reduction in earnings due either to disemployment in the covered sector caused by enforcement of the wage provision or to the labor force entry or reentry of women into relatively low-paying jobs. The federal contract compliance program increases earnings by lessening entry restrictions across industries and occupations, thus allowing women to move into higher-paying jobs. Since the two programs are complementary, the entire EEO effort could be made more effective if the programs were coordinated. Further, evaluation of Title VII leads us to conclude that the charge system, which has been subject to attack because it works on a case-by-case basis, is an effective mechanism for reducing discrimination in employment. The visibility of enforcement that accompanies the investigation of a charge provides a deterrent to discrimination that appears to extend beyond the scope of the original charge. Finally, while enforcement of Title VII for race discrimination increased the earnings of black females, black females appear to have benefited even more from enforcement for sex discrimination. Sex discrimination enforcement may be the more powerful tool for increasing the earnings of women because of the sex segregation of occupations.

Factors Which Determine the Labor Force Participation Rates of Black Wives

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In 1974, the average black husband-wife family¹ had an annual income of \$10,530. In those families where the wife was employed, the median income was \$12,982; where she was not in the labor force, it was \$7,773.² A hasty scan of these data suggests that black husband-wife families in which the wife is not employed would experience significant improvement in their living standards if the wife would enter the labor force.

Black wives make substantial contributions to incomes of their families. In 1970, the wife's earnings accounted for at least one-third of the income of 47 percent of all black nonfarm husband-wife families.³ In 1974 the labor force participation rate (LFPR) among black wives was .54.⁴ Thus, there is a tradition of working wives within the black community. However, in spite of this tradition, almost half of black wives are neither employed nor looking for work, i.e., they are not in the labor force.

This paper will attempt to explain why some black wives choose to enter the labor force while others do not by analyzing the influence of various factors on this decision. Data for the study are taken from the 1967 National Longitudinal Survey, Work Experience of Women 30 to 44. The sample size was 5083 of which 945 were black (or other minority race) wives who were living with their husbands.

Previous studies of the labor force activities of black wives are quite scarce. In recent years there have been a number of such studies of white women, and some of them in passing mention that the patterns among black women may be somewhat different;⁵ but to date we are aware of

¹ "Husband-wife" family refers to a family comprised of a wife living with her husband. Children, other relatives, or nonrelated household members may or may not be present.

² U.S. Bureau of the Census, *Current Population Reports*, Series P-23, No. 54, *The Social and Economic Status of the Black Population in the United States, 1974* (Washington: U.S. Government Printing Office, 1975), p. 26.

³ U.S. Bureau of the Census, *Current Population Reports*, Series P-23, No. 38, *The Social and Economic Status of Negroes in the United States, 1970* (Washington: U.S. Government Printing Office, July 1971), p. 129.

⁴ Bureau of the Census, *Social and Economic Status, 1974*, p. 32.

⁵ For example, see William G. Bowen and T. Aldrich Finegan, *The Economics of Labor Force Participation* (Princeton, N.J.: Princeton University Press, 1969); Jacob Mincer, "Labor Force Participation of Married Women," in *Aspects of Labor Economics*, National Bureau of Economic Research (Princeton, N.J.: Princeton University Press, 1962), pp. 63-97; Thomas A. Mahoney, "Factors Determining the Labor Force Participation of Married Women," *Industrial and Labor Relations Review*, vol. 14 (July 1961), pp. 563-77.

only two really serious analyses of work rates among black wives, and in each instance the author's purpose is to explain why black wives differ from white wives.⁶

The variables to be analyzed here have been divided into three groups: personal characteristics, family characteristics, and economic variables. The analysis is based on a model of spending unit or household decision-making similar to that developed by Richard N. Rosett⁷ and Thomas A. Mahoney in their studies of labor force participation rates of white wives:

$$(1) \quad U = U(Y, P)$$

$$(2) \quad Y = Y_o + Y_w$$

$$(3) \quad Y_w = W(P) - C$$

The household wishes to maximize U , which Rosett defines as a monotonic increasing function of the spending unit's preference ordering, everywhere differentiable, having proper convexity. Y = total family income; P = the wife's participation rate (for full-time workers, $P = 1$); Y_o = other family income; Y_w = the wife's net earnings; W = wife's full-time wage; and C = costs associated with wife's employment, e.g., child care, transportation, uniforms, etc.

We assume that the wife's time can be divided between home work and labor force activity. Also, and not totally justifiable, we assume that U is positively related to home work and, thus, negatively related to P . However, labor force participation increases Y , and U is positively related to Y . The goal of the household is to maximize U .

All variables in the above equations are given except P and U . We will use equation (4) to determine P and thereby gain greater insights into the determination of U .

$$(4) \quad P = a_0 + a_1X_1 + a_2X_2 + \dots + a_nX_n$$

As a prelude to the development of equation (4), we assess the influence of a series of variables on the participation rates of black wives with the use of "adjusted participation rates." The technique to be followed is similar to that developed by Bowen and Finegan.⁸ The ad-

⁶ Glen G. Cain, *Married Women in the Labor Force: An Economic Analysis* (Chicago: University of Chicago Press, 1966); Duran Bell, "Why Participation Rates of Black and White Wives Differ," *Journal of Human Resources*, vol. 9 (Fall 1974).

⁷ Richard N. Rosett, "Working Wives: An Econometric Study," in *Studies in Household Economic Behavior*, eds. Thomas F. Dernberg et al. (New Haven, Conn.: Yale University Press, 1958), pp. 51-101.

⁸ Mahoney, "Factors Determining . . ." Also see Thomas A. Mahoney, "Influence of Labor Force Participation of Married Women: A Model for Spending Unit Decision Making," in Nelson N. Foote, *Household Decision Making* (New York: New York University Press, 1961), pp. 11-24.

⁹ Bowen and Finegan, *The Economics of Labor Force Participation*.

justed rates represent an attempt to assess the influence of a variable, say education, on labor force participation independent of the influence of other variables. The adjusted participation rates indicate what the LFPR of the wives in a particular category would be if they were average (mean) with respect to those characteristics being held constant. Except where indicated, wife's earnings or potential earnings, number of family members, wife's rating of her health, and other family income were held constant.

Table 1 summarizes the results of our analysis of the impact of various factors on the decision of black wives to seek employment outside the home.

Personal and Family Characteristics

YEARS OF SCHOOLING

Wives with more years of schooling are more likely to be in the labor force than those with fewer years. Wives who have spent more time in school are able to command higher salaries and thus the opportunity cost of their remaining out of the labor force is higher; they qualify for jobs that are less taxing physically, in more pleasant surroundings; also, other things being equal, there is a greater demand for

TABLE 1
Summary Findings of Adjusted Labor Force Participation Rates

Variable	Control Variables ^a	Effect	Percentage Point Variation ^b
<i>Personal characteristics</i>			
Years of schooling			
1	H, NFM, OFI	Positive	14.2
2	Standard	Negative	9.8
<i>Economic variables</i>			
Earnings			
Gross earnings	H, NFM, OFI	Positive	65.1
Net earnings	H, NFM, OFI	Positive	63.7
Earnings as % of TFI	Standard	Negative ^d	16.0
Tenure	Standard	Negative ^a	0.0
Husband's wages	Standard	Negative	21.0
Wife's occupation ^c	Standard	Positive	23.5

^a H denotes wife's rating of her health; E, earnings or potential earnings; NFM, number of family members; OFI, other family income; and Standard, all of the above.

^b The figures in this column refer to the absolute value of the difference between the adjusted LFPR for wives in the first category of the variable under consideration and the adjusted LFPR for those in the last category. For example, wives who rated their health as excellent had an adjusted LFPR of 57.0; those who rated it poor, 35.1. The absolute value of the difference, the number in this column, is 21.9.

^c Professional workers, lower numbers; laborers, higher numbers.

^d Results for the sample that included wives who could have contributed 100 percent. Findings suggest pattern that is positive up to a point (about 50 percent), but then becomes strongly negative.

^e Home ownership, 1; renter, 2; no cash rent, 3.

their services. Finally, not to be overlooked is the fact that wives who choose to be employed are more likely to opt for increased schooling as an avenue to advancement.

It was found, however, that it was not the education itself that led to the high correlation between education and LFPR for black wives, but the increased earnings that come with more education.¹⁰ When we controlled for the increased earnings that come with more education, the additional schooling itself discouraged black wives' labor force activity.

PRESENCE OF ADULTS OTHER THAN HUSBAND, WIFE

The presence of adults other than the husband and wife in the household could conceivably exert either a positive or negative influence on the wife's decision to participate in the labor force. The presence of other adults—parents, parents-in-law—could mean a ready supply of baby sitters and thus increase the chances of the wife's seeking employment; or the presence of other adults could increase the family's taste for income inasmuch as these household members must also be provided for. Another possibility is that the presence of other adults may well mean an increase in other family income which would discourage the wife's labor force activity.

We found that the negative factors tended to outweigh the positive ones, and thus the LFPR for black wives with adults in the household other than the husband was significantly higher.

PRESENCE OF CHILDREN

Traditionally, studies of female labor force participation have found that the presence of children under 6 years of age in a household to be the most significant single deterrent to wives' participation in the labor force.

Interestingly, Cain, in his analysis of 1960 data, found a near zero coefficient for the variable "children ever born" to black wives, and he asserted that children do not significantly discourage the labor force activity of black wives. Cain's data, however, may well have camouflaged two opposing forces that influence the effect of children on the work rates of wives. The way in which children influence the work rates of wives has been found to vary according to the children's ages.¹¹ Children under 6, especially those who are less than 3, discourage the mother from work-

¹⁰ These findings are in contrast with those of Bowen and Finegan, pp. 118-22, who found that for *white* wives, only 42 percent of the increase in LFPR with higher education could be accounted for by higher earnings.

¹¹ Bowen and Finegan; Elizabeth Waldman, "Marital and Family Characteristics of the Labor Force," *Monthly Labor Review*, vol. 93 (May 1970); Vera C. Perella, "Women and the Labor Force," *Monthly Labor Review*, vol. 91 (February 1968).

TABLE 2
LFPR by Composition of Household

	Unadjusted LFPR	
	In Household	Not in Household
<i>Presence of Other Adults</i>		
Parent or parent-in-law	53.4	48.5
Relative other than husband	50.2	48.2
Relative other than husband or child	54.4	48.0
<i>Presence of Children</i>		
Age of wife's children		
1 and/or 2 years ^a	32.4	53.6
3 years ^a	29.4	51.8
1-5 years ^a	37.3	52.4
1-5 years only ^a	47.6	48.9
6-18 only ^a	57.5	48.9
12-18 only ^a	65.3	46.9
1 or 2 and 12-18 ^a	29.1	51.6
1-5 and 12-18 ^a	32.6	53.6
Age of children other than wife's— brothers, sisters, or grandchildren		
1 or 2 years ^a	34.7	53.9
1-5 years ^a	38.9	57.4
6-18 years ^a	45.8	60.0

^a Difference in LFPR "in household" and "not in household" is significant at the 1 percent level.

ing, while those over 6 and less than 18 have just the opposite influence on their mother's decision to seek or maintain employment. What Cain probably saw in his data was the net effect of these two opposing forces.

The participation rates for wives with preschool children were lower in every instance than the rates for wives without children in this age range, and the differences were statistically significant. The findings clearly lend credibility to the notion that the presence of small children discourage black wives from working outside the home.

As the total number of children in the households of wives in our sample increased, the wife was less likely to work, which suggests that the negative influence of more children is perhaps stronger than the positive influence of the presence of children over 6 or over 12.

Finally, the presence of children other than the wife's own children, i.e., brothers, sisters, or grandchildren, tends to influence the wife's decision to work in the same direction as her own children do, but the influence is not as strong.

Economic Variables

EARNINGS

One unique feature of this study is the analysis of earnings. Since the data are disaggregated, there are no earnings figures for those wives who are not employed, and such are needed to calculate the adjusted participa-

tion rates and for the regression analysis. Potential earnings have been computed for all respondents who were not employed. The potential earnings are determined by education, size of town, presence of a certificate to practice a trade or profession, and age of the wife. They are our estimates of what the wife would earn annually if she were employed at the average wage rate received by other wives in the sample whose characteristics with respect to these variables were the same as hers. Similar procedures were used to compute potential child care and transportation costs for nonworkers.

Gross Earnings. A consistent finding of studies of female labor force participation is that higher wages lure wives into the labor force. This is the essence of the "substitution effect." As the wife's earnings or potential earnings increase, the opportunity cost of home work ("leisure") increases, which encourages her to substitute market work for the relatively more expensive home work.

Net Earnings. A true measure of net earnings would be gross earnings minus the explicit and implicit costs of a wife's "working" plus the implicit returns of being employed. The data for such a refined estimate were not available; however, the Surveys do include the two major explicit costs to working wives—transportation and child care. Thus, net earnings are defined as gross earnings or potential earnings minus actual or potential child care and transportation costs.

If the decision of wives to enter or leave the labor force is economically rational, then we should expect the wives' labor force rate to be positively related to net earnings, and we should also expect that the relationship between labor force participation and net earnings to be stronger than the relationship with gross earnings. However, to the extent that wives suffer from what we call a "wage illusion" that is very similar to the "money illusion" that causes workers to respond to the size of their pay checks rather than to the ability of those checks to raise their standard of living, this will not be the case. And we found the relationship between LFPR and net earnings, even though positive, is no stronger than the relationship with gross earnings.

*Earnings of the Wife as a Percent of Total Family Income.*¹² The greater the contribution or potential contribution of the wife to the total family budget, the greater the probability that she will be in the labor force.

The summary of findings suggests the opposite pattern to that discussed above. These figures, however, obfuscate the underlying pattern. The relationship between labor force participation and the earnings or

¹²Total family income in this section is equal to other family income plus earnings or potential earnings of the wife.

potential earnings of the wife as a percent of total family income is positive until the earnings reach the 50 percent level. After that the LFPR drops precipitously.

The unadjusted rates, while depicting a fairly definite pattern, raise an interesting question. Why do the rates decrease after wives' earnings or potential earnings reach the 50 percent level? The relatively strong correlation coefficient between earnings and earnings as a percent of other family income of .446 suggests that the wives whose earnings will contribute lower proportions of family income are the low earners and the proportionately high contributors are the high earners. However, we do not know the extent of variation in this pattern.

The downturn in the unadjusted rates after 50 percent says that there is variation and gives some hint about the pattern. The two sets of regression coefficients give further information. When women who earn or could earn all of the family income, i.e., when other family income is zero, were dropped from the sample, the regression coefficient for wife's earnings as a percent of total family income was $+0.20273$ with a standard error of -0.8874 . When these wives were added to the sample, the coefficient dropped to -0.19294 and the standard error increased to 0.09651 . The standard error of the estimate for the former regression equation used to calculate adjusted participation rates was 0.4696 ; for the latter, 0.4698 . This suggests that the relationship between wives' earnings as a percent of total family income and wives' labor force rates is not linear but approximates the pattern in Figure 1.

TENURE (HOME OWNERSHIP)

It has been argued that larger houses increase the family's taste for home work or that wives who have a personal preference for home work,

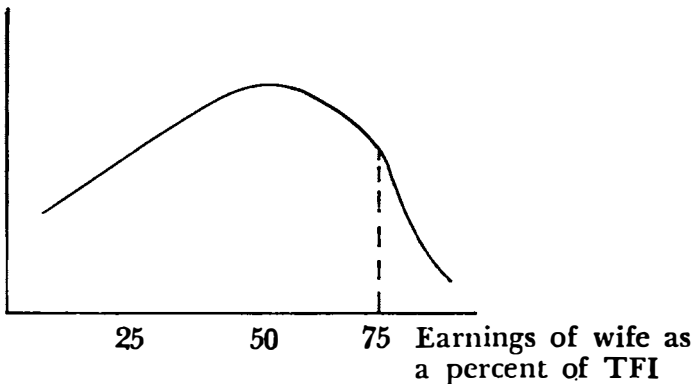


Figure 1. LFPR and earnings of wife as a percent of total family income.

e.g., gardening, housekeeping, etc., are the ones most likely to purchase a home. However, in the black community a different pattern emerges. Since black family income tends to be low, black husbands are subject to more irregular employment, and a slightly larger proportion of black family income is from wages and salaries than is true for the remainder of American families, the black family is able to purchase a house *because of the wife's earnings*. She may "work" because of the family's desire to have "a home of their own."

HUSBAND'S WAGES

Husband's wages are the major component of other family income, a variable that is usually included in studies of female labor force participation. These studies have consistently found that increases in other family income discourage the wife from participating in the labor force. The same would be true for husband's wages. As the husband's wages increase, the family's taste for income is satisfied without forgoing the benefits of having the wife at home.

WIFE'S OCCUPATION

Aside from pecuniary rewards, some occupations are more attractive than others, and, other things being equal, prospects of employment in these attractive occupations (e.g., professional positions) will lure women into the labor force, while the sole availability of employment in the unattractive occupations (e.g., service worker, laborer) will discourage a woman from seeking employment outside the home.

Summary and Conclusions

From the analysis of factors that influence the decision of black wives to work outside the home, it has been found that the following encourage labor force participation by black wives: personal characteristics—relatively large number of marriages, good health, less schooling; family characteristics—small family, presence of older children in the household, absence of younger children in the household; economic characteristics—large earnings or potential earnings, large proportion of family income contributed by wife's earnings (but less than 75 percent), home ownership, low husband's wages, less skilled occupational category.

Very few of these stimuli for increased LFPR of black wives would lead to significant increases in the families' standard of living. Those which would are good health, small family, absence of younger children from the household, increased earnings or potential earnings of the wife, and home ownership. The other stimuli would increase the LFPR of the wives, but they would also increase the costs of maintaining the

family at a given standard, decrease family income, decrease the wife's potential earnings, or some combination of the three.

Two of the stimuli for increased participation will bring about the greatest changes in living standards—increased earnings and better health. Both of these characteristics, in and of themselves, are signs of higher living standards. Increased earnings will not only improve the living standards of wives newly attracted to the labor force, but they will also raise the living standards for the experienced workers. Also, an increase in the wife's earnings (assuming other family income remains constant) will increase the proportion of the family's income contributed by the wife, thereby increasing her attachment to the labor force. Easier access to medical care facilities, preventive medicine, etc., will increase LFPR and will increase the productivity of workers once they are on the job.

DISCUSSION

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Andrea Beller has made a useful contribution to the analysis of an important problem: the impact of the enforcement of Equal Employment Opportunity laws on the earnings of females as members of a group facing discrimination on the basis of sex and, in the case of black females, as members of a group facing additional discrimination on the basis of race. To date, the evidence available in the literature shows mixed results for the net effect of Equal Employment Opportunity (EEO) laws on the earnings of blacks relative to whites, and Beller has obtained results helping to clarify the issue. Previous work has concentrated on earnings or employment differentials between blacks and whites or between black males and white males. Helpfully, Beller extends the coverage of the literature by looking at women. Furthermore, she makes a worthwhile public policy recommendation concerning the need for continuing the kinds of policies which fall both under Title VII and under federal contract compliance programs, a recommendation proceeding from her demonstration that these policies affect wages in different ways. Beller's study is provocative of issues for further reflection and research.

One such issue concerns appropriate variables to use in discussing the net effect of enforcement of EEO laws on the financial well-being of women, a matter of importance in the definition and measurement of success of enforcement when account is taken of the span of time studied. Beller observes that, a priori, the net impact of enforcement on average wages cannot be predicted because, although the wage provisions imply that those who retain employment in the covered sector may enjoy increased wage levels, there may be others forced into the uncovered sector where they are likely to receive lower wages. One may reasonably agree with Beller that the net effect on average wage levels is ambiguous. However, it should be pointed out that the enforcement effect is such that one can unambiguously predict an *increase* in the *variance* in the *short* run. (The span of time studied by Beller, 1967-74, presumably qualifies as the short run.) These remarks lead to a consideration of the definition and measurement of success of EEO enforcement in the *long* run, a question somewhat analogous to that concerning the long-run measure of effects of unions on wages when consideration is taken of spillover

effects. A good measure to use is the *variance* of wages which in the *long* run is expected to *decrease* as success is achieved.¹ This expectation, a decrease in the second moment about the mean wage, follows if success is defined as the creation of a situation in which enforcement is no longer necessary, to the extent that fewer women are forced into the uncovered sector and the wage differential between the covered and uncovered sectors diminishes.

A serious flaw in Beller's work leads us to question whether the true effect of enforcement on earnings is as great as reported in her estimates, for she fails to account for a possible simultaneity problem by including enforcement as an explanatory variable. While earnings may depend on enforcement, it is also reasonable to suppose that the level of enforcement (e.g., complaints) depends on earnings or that both earnings and enforcement are functions of a third variable such as social activism. That complaints may well be endogenous implies that the estimates of the coefficients obtained by ordinary least squares regression are biased and inconsistent. The biases in the enforcement coefficients weaken the conclusion that enforcement is a significant determinant of earnings. Whether the application of correct statistical procedures would yield results supportive of Beller's conclusion is uncertain and worthy of investigation. Beller acknowledges the need to specify a model incorporating the influence of a third variable such as social activism, but mentions the obvious difficulties of measurement.

Another reason to qualify Beller's results lies in the particular enforcement variables used. Different results might have been obtained had consideration been made of unsuccessful court settlements instead of successful ones. Unsuccessful settlements may afford greater visibility than successful ones, especially in certain industries, groups of employers, or locales. These two different measures of enforcement may have effects not only opposite in direction but asymmetrical in magnitude.

Turning to policy conclusions, Beller substantiated the need for concerted coordinated action on both the Title VII and affirmative action fronts. However, further research is needed concerning not only the socially optimum level of effort in both areas but the optimum ratio of effort. The answer will depend, of course, on the relative social costs as well as their effectiveness.

Barbara Jones's work provides a quantification of the effects of various economic and demographic characteristics on the labor force participation rates (LFPRs) of black wives, a topic meriting attention not only because of possible public policy prescriptions that may ensue, but be-

¹The variance would not diminish to zero, however, with the achievement of *success*.

cause it is an interesting topic. (Indeed, some of the results reported are most interesting, if not startling and puzzling.)

Before turning to a discussion of some findings, it would be well to make a methodological observation on the use of percentage point variations in adjusted LFPRs (see Table 1 of the Jones paper). First, no results of tests of significance are reported for the different variable categories. Second, it is meaningless to look at percentage point variation of LFPRs for nominal-scale data such as tenure (home ownership) when there are three possible states: home ownership, renter, and no cash rent. How could one interpret a percentage point variation in LFPRs between the first and third categories? Third, even for ordinal data, such as wife's occupation, the interpretation of percentage point variations is, at the very best, difficult, tenuous, and inexact. Regression analysis, using two dummy variables to represent the three states of tenure, would be a better way to capture the effects of tenure and to allow their interpretation.

There are several very interesting findings, but space limits their mention. Jones finds a negative effect of education on LFP after controlling for earnings, a result quite contrary to that of other investigators.² Her result is particularly puzzling in that she has not controlled for wife's occupation; so doing is the usual way of diminishing the education effect even further after accounting for earnings. We would welcome an explanation by Jones.

Another result differing from previous work is that increased numbers of marriages increase LFP of black wives. Using 1967 SEO data, Bell reports no such effect for blacks, although it is present for whites.³ A reconciliation of the differences between Bell and Jones would be appreciated.

In addition to the statistical problems mentioned above, Jones's discussion of tenure (home ownership) is further fraught with expositional difficulties in that it is difficult to follow and to analyze. Assuming that her verbal rendition is correct, then it appears that her results (home ownership increases LFP in her sample) accord with those of Bell (suburban residence increases LFP for blacks but decreases LFP for whites).⁴ Bell states that the residential variable may be picking up life-cycle effects for whites but not for blacks. It is not clear if Jones is attempting to explain a black-white differential in response to ownership

² See Glen G. Cain, *Married Women in the Labor Force* (Chicago: University of Chicago Press, 1966), and William G. Bowen and T. Aldrich Finegan, *The Economics of Labor Force Participation* (Princeton, N.J.: Princeton University Press, 1969).

³ Duran Bell, "Why Participation Rates of Black and White Wives Differ," *Journal of Human Resources*, vol. 9 (Fall 1974), pp. 465-79.

⁴ Bell, "Why Participation Rates"

(she has no information on the whites in her sample) or simply the effect of tenure among blacks. Keeping the two issues separate may aid an explanation.

Jones presents many interesting results which would form a welcome addition to the literature if she were to use different statistical techniques to view some variables and if she were to attempt more explanations of her unusual findings. Particularly deserving of further work is the section on the effect of the wife's earnings as a percent of other family income.

VIII. WORKERS' COMPENSATION: THE POLICY ISSUE

Workers' Compensation in a General Disability System

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Introduction

Workers' compensation continues to be a dynamic, growing program in the United States in spite of dire predictions about its imminent demise made throughout the years. All indications are that the program remains in a healthy, growing state.¹

Workers' compensation benefits are only a small part of total "disability expenditures." The more than 80 separate programs which pay benefits in case of disability form a rather comprehensive system with total expenditures for income maintenance and support, medical, and other direct services estimated at about \$83.1 billion in 1973, or about 6½ percent of GNP. Such expenditures were \$39.4 billion in 1967, or 5 percent of GNP. During the six years under consideration, total expenditures rose 109 percent, and after allowing for changes in the value of the dollar, by 54 percent, or more than twice the growth in real GNP. We project growth in real terms of possibly as high as 8 percent per year, which seems ridiculously large except as we note that the number of disability insurance beneficiaries under social security has been increasing at a greater rate.²

A full explanation of these trends requires an analysis which is beyond the scope of this paper. A portion of the rise, for example, is attributable to medical cost increases, but a part of the explanation lies

¹ Daniel N. Price, "Workers' Compensation: Coverage, Payments and Costs, 1974," *Social Security Bulletin*, vol. 39 (January 1976), pp. 38-42.

² A summary of these trends and expenditures can be found in *An Evaluation of the Structure and Functions of Disability Programs*, Year I Summary Report, OEO Grant No. 009-P-20-2-74/1 (New Brunswick, N.J.: Rutgers University, Bureau of Economic Research, Disability and Health Economics Research Section, 1975). Also see, Monroe Berkowitz, William G. Johnson, and Edward H. Murphy, *Public Policy Toward Disability* (New York: Praeger, 1976).

in the underlying dynamics of the disability system, some of which will be explored.

There exists a certain amount of confusion about why we pay disability benefits. What are the underlying considerations that make society willing to transfer cash and service benefits to the disabled? Why transfer income from the nondisabled? The intimately related questions are: What are the criteria for determining disability? What should the level of these benefits be?

I would like to discuss these general issues in light of one program, workers' compensation. I will argue that it makes sense from an equity viewpoint to segregate work injuries into a separate program, to pay differential benefits, and to approach solutions to the problem of determination of disability on a state-by-state basis.

At first glance, equity considerations may appear to require that all those disabled be treated alike and that one program might serve to provide disability benefits. If all disabled are perceived as having the same claim to benefits, then one program with uniform levels of transfers would best satisfy the equity criterion.

But there are no obvious reasons why society should deem it equitable or efficient to transfer any income from the nondisabled to the disabled, let alone uniform levels of cash and service benefits. In the United States, in each case where transfers are made in the event of disability, we can find some obvious rationale which serves to differentiate among the disabled.

In the private sector, an individual may choose to purchase insurance policies that will pay benefits in the event of disability. Obviously, the amount of protection an individual chooses to purchase is a function of the utility he derives from risk aversion and his budgetary constraints. Such considerations may also enter into his choice of fringe benefit packages at work, although obviously the group asserts an influence over such choices and individual preferences may be blunted. It is patently not inequitable for those who purchase more insurance to receive more benefits.

Also, within the private sector, courts will compel transfers in the case where disability is a result of negligence. Presumably such transfers are designed to serve the purpose of making the injured person whole and, in addition, have some deterrent value. In light of these purposes, the amount that will be transferred may be equal to or even greater than the full economic losses sustained.

The more interesting social choices are in the public sector where transfers are not made simply because a person becomes disabled. Instead, such transfers are confined to those who can demonstrate either

need as in the supplementary security income program (SSI), some honorific status (veteran programs), or some attachment to the labor force and period of contribution as in the social security disability insurance program (DI). Benefit levels and eligibility conditions are different in each of these programs.

The disabled veteran is treated generously, perhaps as a reward for his past service. The SSI recipient's transfer is conditioned on his showing of need and the DI recipient will receive a benefit that is calculated in the same fashion as in the old age retirement program. Even if they suffer the identical physical impairment, each of these people will receive different stipends. Apparently, we do not define them as being equal for equity purposes.

Workers' compensation is different again, and equity considerations justify differential treatment. I would argue that only a separate program can accomplish each of the objectives or requirements for workers' compensation. Those injured in work accidents are barred from access to the negligence tort system and receive in return a right to benefits. Because of the historical origin of such a claim, the compensation system in the United States and throughout the world does not require any testing of labor force attachment nor any period of contribution as in the general DI system, and certainly there is no testing of need and hence no means test.

Persons with identical medical impairments will receive typically only a minimum benefit under SSI, whereas at the other extreme, a successful litigant under tort negligence will receive an amount equal to complete losses. Some of these differences are sketched in the Table 1:

TABLE 1

	SSI	DI	W.C.	Tort Cases
Level of cash benefits	Minimum levels—according to demonstrated need.	Benefit based on past monthly average wage. Replacement ratio less than 50%.	Benefits based on past wages. Replacement ratios typically 66 $\frac{2}{3}$ % of current wage.	Benefits based on full economic loss. Wage replacement plus compensation for pain and suffering.
Service benefits	Medicaid if eligible.	Medicare—eligibility after 2 years.	Full medical care for the injury.	Full medical care for the injury.

Unlike the DI program, workers' compensation does not restrict benefits to the permanently and totally disabled. Benefits are available for those who are temporarily disabled and out of work, as well as for those who are permanently disabled, either partially or totally. Typically, a

TABLE 2

Workers' Compensation, Permanent Total Disability Benefits, and Social Security Disability Benefits as of 1975 for a 35-Year-Old Single Worker Earning the Average Wage in Each State

	State Average ^a	Standard Deviation
DI weekly benefit ^b	\$75.12	5.96
Replacement ratio ^c	.45	.017
Workers' compensation weekly benefit ^d	\$101.34	21.95
Replacement ratio ^e	.60	.08
DI/workers' compensation	.772	.155

^a The unweighted average of the appropriate figures for the 51 states.

^b Benefit computation based on the assumption that the worker earned an average weekly wage in each state over 10 years, 1965-74, subject to federal maximum taxable base levels for each year. State average weekly wage data from *Handbook of Unemployment Insurance Financial Data*. DI benefit data from *Social Security Handbook*.

^c Computation based on the ratio of DI benefit to the 1974 total average weekly wage for each state.

^d Based on the statutory percentage of average weekly wage (usually 66⅔%) subject to state maximum benefit levels.

^e Computation based on ratio of workers' compensation based on ratio of workers' compensation benefit to the 1974 total average weekly wage for each state.

worker will receive a cash benefit equal to two-thirds of his wages, and in addition complete medical care to relieve the effects of his injury.

If I had given this paper several years ago, I would have had to say this is what workers' compensation intended to do, but that it was unable to do so because of various limitations contained in the laws. But more and more, these goals of workers' compensation are, in fact, being met. Table 2 shows some average comparisons between DI benefits and workers' compensation benefits. Certainly, there are several ways in which such benefit comparisons can be made. Elsewhere I have compared benefits on a present value basis, taking into account duration, maximum limitations, family size and composition, and a number of other factors.³ Far simpler comparisons are presented in Table 2. Because of space limitations, only the means and standard deviations are presented. These are based on individual state calculations for a single worker who is 35 years old and whose disability insurance benefits are based upon his last 10 years of work. In each of these 10 years, he has earned the average wage which prevailed in each of the states during each of the last 10 years. The benefits that he would receive under workers' compensation are based on these same assumptions.

On the average, the single worker fares better under the workers' compensation program. In only four states would he be worse off and in some states he would be significantly better off. It is true that in the

³ Monroe Berkowitz, "Workmen's Compensation Income Benefits: Their Adequacy and Equity," *Supplemental Studies for The National Commission on State Workmen's Compensation Laws*, Vol. I (Washington: U.S. Government Printing Office, 1973).

DI program he will be able to receive additional amounts for dependents and such supplements are not usual in workers' compensation. On the other hand, in workers' compensation, he will be able to receive no Medicare after two years but full medical benefits for his injury in 46 out of the 51 states. Only Arkansas, Montana, New Mexico, Tennessee, and Vermont failed to meet this requirement as of January 1, 1976.

Disability insurance benefits serve a different function and purpose than do workers' compensation benefits. Although there are minimum benefits in many states in workers' compensation, the DI system skews benefits in favor of the lower-wage worker, giving him a higher replacement ratio. Concern is now being expressed that these replacement ratios may be too high and that the number of beneficiaries is increasing at too rapid a rate. Also concern is being expressed over the financial state of the disability insurance trust fund should the present rates of accretion of over 10 percent per year to the rolls continue.⁴ But with all these concerns, replacement ratios are considerably less than those in workers' compensation. It is becoming increasingly common to adjust workers' compensation benefit levels in accordance with changes in the cost of living as is the law under disability insurance.

The judgment has been made that people injured in work accidents are different and entitled to these special considerations. I would argue that there is another general set of reasons for a separate system of workers' compensation. There are certain intractable problems which, in the absence of any generally agreed-upon solution, are best left to individual states who devise proximate solutions.

Disability begins with the onset of some pathological condition. In most cases, people recover and any disablement proves to be only temporary. But in a minority of cases, the pathological condition leaves a person with a permanent impairment, perhaps a structural change, an alteration of body chemistry, or some other deviation from the norm. Such impairments may cause only minor discomforts, but in a minority of cases, they may result in some functional limitation: an inability to move an arm, an inability to lift, walk, see, hear, or think in the same manner as the person was able to prior to the onset of the pathological condition. Again, such a functional limitation may not be of great significance, and he may be able to carry on with his normal life. However, in a minority of cases, the functional limitation may, when combined and considered in conjunction with a person's age, race, sex, occupation, the state of the labor market, and a host of other factors, result in an inability to perform his accustomed social role. In the cases with

⁴ *Social Security Bulletin, Annual Statistical Supplement, 1974*, Table 53, p. 85 and *Social Security Bulletin*, vol. 39 (August 1976), p. 41.

which we are concerned, this may be an inability to work. When this happens, it may be said that the person is disabled.

What do we pay for when we initiate transfers in the event of a person's disability? Is it truly disability that we compensate, i.e., the de facto inability to work on a job by reason of the medical impairment combined with other conditions? And if it is, how do we separate out the effect of the functional limitation, the impairment, or the pathological condition from the host of nonmedical, nonphysical social and economic factors which also contribute to that person's inability to work? Or do we instead pay for the impairment or the functional limitation, quite apart from whether or not that condition or limitation results in a person's disability?

All social insurance, private insurance, and other types of transfer programs which purport to pay benefits in the event of physical disability must deal with this fundamental problem. Social security seeks first to evaluate the medical condition of the applicant. In certain cases, if the applicant meets or exceeds the medical standards set up, he is deemed eligible for disability benefits. In other cases, vocational factors must be examined and when doing so, a person's age and his occupation will be considered. Since DI pays a benefit only in the case of total and permanent disability, in all cases the person must show an inability to engage in substantial gainful activity, which currently means he may earn no more than \$230 per month.

The evidence is becoming increasingly clear that given the tests used by social security, the number of people who become eligible for benefits is not unrelated to the state of the labor market, and the opportunity cost of applying as measured by the difference between the wages the person could earn and that which he can receive in benefit status. The actuaries project the disability incidence rates increasing to a level 33 percent higher than the 1975 level, and this may be a modest rate.⁵

I do not mean to imply that workers' compensation has found the magic key to this problem. I am arguing that the maintenance of a sufficiently high level of benefits and the necessity to experiment with the solution to intractable problems constitute a sufficient justification for a separate system of workers' compensation. We could not support a replacement ratio of 66 $\frac{2}{3}$ percent in SSI or DI; we define it as equitable in workers' compensation where workers gave up the right to sue.

I refrain from mentioning that separately allocating the costs of work injuries may constitute an incentive for employers to adopt safe and healthful working practices. Workers' compensation does have the effect

⁵"The Cost of Social Security, 1976-2050," address by A. Haeworth Robertson, Chief Actuary, Social Security Administration, mimeographed, Chart 1.

of pricing accidents. I proceed on the basis of the belief that placing a zero cost on accidents as in a general disability program will increase the demand for them, but I do not press this point.

Neither am I saying that we are living in the best of all possible worlds and that nothing need be done to improve the level of benefits or the administration of workers' compensation. There is a danger that the momentum engendered by the National Commission⁶ may exhaust itself. Improvements have been made, in an almost unprecedented fashion, but possibly only because of the prodding by the National Commission and the impetus provided by the threat of federal standards.⁷ I have no particular enthusiasm for federal legislation in this area, but it may be necessary to bring the recalcitrant states into line.

There is a role for a separate workers' compensation system, and it ought not be integrated into a general system. The level of medical care contemplated and now in practice in 46 out of the 51 jurisdictions far exceeds that contemplated under any national health insurance scheme or the Medicare provisions now available to DI recipients. The current and expected level of benefits under DI is causing serious problems, both for the methods of financing and because of possible disincentive effects. Yet these DI benefit levels are modest as compared to those available under workers' compensation. To argue that the victims of work accidents ought to be treated in the same way as those who qualify for the general DI provisions is to ignore any special claims that the victims of work accidents have arising from their inability to sue in the event of negligence. It also argues that benefit levels should be reduced to those which are sustainable in the general program. For these equity reasons a separate system of workers' compensation ought to be maintained.

⁶ *The Report of the National Commission on State Workmen's Compensation Laws* (Washington: U.S. Government Printing Office, 1972).

⁷ The record is set forth in great detail in the several parts of the Report of the Full Compliance Subcommittee of the Ad Hoc Committee to consider state compliance with Workers' Compensation recommended standards. These mimeographed publications which are issued from time to time track the record of states in complying with the essential recommendations of the National Commission on State Workers' Compensation Laws. Copies of the publications are available from Workers' Disability Income Systems, Inc., Suite 233, 1255 New Hampshire Avenue, Washington, D.C. 20036.

Federal or State Responsibility for Workers' Compensation?

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Workers' compensation, the source of cash benefits, medical care, and rehabilitation services for workers who experience work-related injuries and diseases, is in a critical phase of reform. The states traditionally have almost completely controlled the program, but pressure is building for federal prescription of minimum standards for state laws. The possibility of federal involvement in workers' compensation will be placed in a larger context by reviewing federal and state responsibility for several types of labor laws and social security programs. The conclusions from this review will be used in the final section, which speculates about the future of workers' compensation.

Federal-State Allocation of Responsibility

The allocation of federal and state responsibility for the broad array of labor laws and social security programs in this country is marked by a bewildering diversity.¹

Federal control is dominant for some programs. The basic social security program—Old Age, Survivors, Disability, and Health Insurance (OASDHI)—has its substantive provisions determined by the federal Social Security Act and is largely administered by federal employees. (State agencies and private organizations assist in the administration of portions of the disability and health insurance components of OASDHI.) Laws establishing collective bargaining rights for private sector employees are also largely the province of the federal government through the Railway Labor Act and the Labor Management Relations Act. Limited state regulation of collective bargaining in the private sector is permitted: for example, employers for whom the National Labor Relations Board (NLRB) has declined jurisdiction are subject to state control. Also,

* Valuable comments on a preliminary draft were received from Bernard Meltzer, George Neumann, Melvin Reder, and Joel Seidman.

¹ Most of the labor laws and social security programs surveyed in this paper are discussed in U.S. Department of Labor, Bureau of Labor Standards, *Growth of Labor Law in the United States* (Washington: U.S. Government Printing Office, 1967) or U.S. Department of Health, Education, and Welfare, Social Security Administration, *Social Security Programs in the United States* (Washington: U.S. Government Printing Office, 1973). References to specific pages in these volumes are not included in order to meet IRRA limits on paper length.

Section 14 (b) of the Labor Management Relations Act allows states to outlaw union shop arrangements. Finally, collective bargaining rights for federal employees are also controlled by the federal government.²

The states largely dominate certain other programs (except that the federal government controls these programs for federal employees). Workers' compensation is the most important of these programs in terms of coverage and benefits paid. However, railroad workers have been covered since 1908 by the Federal Employers' Liability Act (a workers' compensation substitute), and coal miners have recently benefited from the federal black lung program, which now accounts for about 15 percent of all workers' compensation benefits. Temporary disability insurance, which pays partial compensation for short-term wage loss regardless of its origin, is also primarily provided by the states. (There are, however, only five state plus Puerto Rico with such laws.) Collective bargaining laws for state and local government employees and for farm workers are also within state control, although many states have not enacted such legislation for government employees and only a few states (most notably California) provide bargaining rights for farm workers.

The state and federal governments share responsibility for certain laws and programs, but the sharing arrangements vary. In some instances, the laws are administered separately by the state and federal governments and are complementary; the state laws cover workers not encompassed by the federal law or set higher standards for workers also covered by the federal law. (Alternatively, the federal law may provide broader coverage or higher standards than the state laws.) Examples of this approach are child labor laws where extensive state regulation by the 1930s was successfully complemented in 1938 by the Fair Labor Standards Act. That act also established minimum wage requirements, which have been raised and extended to more workers on several occasions since the 1930s. Despite the surge of federal regulation of minimum wages, states have also improved their minimum wage laws since the 1930s with respect to benefit levels and coverage of industries and sexes. (More than one-third of the state laws as of 1938 applied only to women and minors.) Laws against employment discrimination are also an example of complementary laws with separate administrative procedures for the states and the federal government. The Civil Rights Act of 1964 marked the first significant federal action against employment discrimination, but did not choke off state activity as a dozen states passed similar legislation

² A distinction exists between the collective bargaining rights for most federal employees—who have the rights only because of Executive Orders—and the rights for post office employees—who have a special statute providing mediation, fact-finding, arbitration, and the protection of the NLRB.

within the next three years. Indeed, the federal act requires exhaustion of certain state procedures as a condition of maintaining a federal action.

Unemployment insurance provides another variation on shared federal-state responsibility. The program's administration and its substantive provisions are largely under state control, but the Social Security Act virtually compels states to enact laws since employers in states without approved laws do not receive offsets against a federal tax. There are a few federal standards for the state unemployment insurance programs (e.g., one standard sets the minimum annual earnings per worker subject to the tax), but many important aspects, such as the amounts and duration of benefits, are exclusively within state control. There have been several federal acts providing temporary extensions of unemployment benefits.

Industrial safety provides another model of federal-state relations. The states were preeminent until the enactment of the Occupational Safety and Health Act of 1970. Now, there is federal preemption unless a state adopts and enforces standards that are at least as strict as the federal standards.

Public assistance provides a final model of state-federal shared responsibility, although there are substantial variations within the program in the sharing arrangements. General assistance is financed solely by state and local funds and is available for some needy persons not adequately protected by other programs. Aid to families with dependent children (AFDC) is administered by the states, largely financed by federal funds, and subject to federal standards. The most recent development is the enactment of the Supplemental Security Income (SSI) program, which provides a minimum level of income to each needy aged, blind, or disabled person. The program is administered and wholly funded by the federal government, but states may supplement the SSI benefits.

Explanatory Factors

I cannot provide a complete explanation for the division of control between the federal and state governments for the laws and programs just surveyed. There are, however, a few factors which seem to provide a partial explanation.

Historically, constitutional law provided some constraints on federal action. Federal regulation of child labor, for example, was long stymied by a series of adverse Supreme Court decisions. In 1918, a child labor law was declared unconstitutional because the Court concluded that Congress had exceeded its authority over interstate commerce. In 1922, another child labor law, which levied a tax on profits from firms violating age standards, was declared unconstitutional, because it regulated matters

reserved to the states. Then the National Industrial Recovery Act, which inter alia limited child labor, was declared unconstitutional on the ground that it regulated intrastate transactions and was an unconstitutional delegation of legislative power. Finally, in 1941 the Supreme Court, using a more liberal interpretation of the commerce clause, unanimously upheld the constitutionality of the Fair Labor Standards Act (which, among other provisions, regulated child labor).

For almost four decades, there have been few constitutional limits on federal regulation of private sector employers. A question remains, however, about how far Congress can constitutionally proceed in regulating state and local government employees. The *National League of Cities* case, decided in 1976 by a 5-4 margin, struck down the 1974 amendments to the Fair Labor Standards Act which extended minimum wage and maximum hour provisions to most state and local government employees. This decision appears to have at least temporarily doomed the prospects for federal legislation establishing collective bargaining rights for state and local government employees.

Aside from the public sector, constitutional limits do not appear to be a major restraint on federal action now, and so the explanation of the present crazy quilt of federal and state programs must look to other factors. One such explanation partially relies on the limits previously imposed by constitutional law. Two questions which must be asked concurrently are: (1) What was the prevailing constitutional law when the particular program first became a matter of national concern? (2) How significant a bureaucracy is necessary to administer the program? In the case of workers' compensation, the program rapidly developed on a national basis prior to 1920 at a time when constitutional law made a federal program impossible. By the time a federal program would have been constitutional, relatively sizable state bureaucracies made it politically difficult to displace the state programs.³ Unemployment insurance is similar to workers' compensation in that the program emerged in the 1930s when constitutional concerns led to a federal-state program and the resultant state bureaucracies have been a factor in discouraging any significant expansion of the federal role.⁴

³ Workers' compensation benefits are largely provided by private insurance carriers, and portions of the insurance industry have resisted federal involvement in the program, presumably in part because they fear the involvement would lead to a reduced role for the private sector. In addition, many state workers' compensation programs support a battery of attorneys who fear federal involvement may endanger their livelihood. The general point is that workers' compensation (and other programs) generate special interest groups which resist the movement of the program from one level of government to another.

⁴ Another reason, in addition to constitutional concerns, why unemployment insurance was established with a shared federal-state responsibility was a desire not to displace the existing Wisconsin program.

Most other programs in which the federal government now plays the dominant role either (1) initially became a national problem when constitutional law did not inhibit federal action, or (2) began under state control but never generated a sizable state bureaucracy. The first category includes OASDHI and the NLRA. The second category encompasses child labor laws, minimum wage legislation, and safety legislation: when the federal government moved in these areas, preexisting state programs did not involve significant numbers of personnel.

The preceding discussion argues that the status of constitutional law at the time a program was developed to deal with a national problem is one important factor in explaining the current division of authority between the federal and state governments. But what is it that makes a particular condition emerge as a national problem? Some areas are fairly obvious, such as the emergence of unprecedented unemployment in the 1930s, which led to the unemployment insurance program. Other areas are not so obvious, but nonetheless the sources for the laws can be identified. Thus the depression of the 1930s led to a general public disdain toward the business community, which was held by many to be responsible for the economic problems. This negative public attitude toward business in turn made public support of legislation encouraging unions (the NLRA) almost inevitable, since unions were considered natural predators of businessmen.⁵ For still other programs, the explanation of federal involvement is not apparent. For example, what made industrial safety such a pressing national issue in the last decade that the federal government enacted such far-reaching legislation as OSHA?

To be sure, federal involvement in a program does not *require* a national concern for a problem. The enactment of the Railway Labor Act a decade before the NLRA and the special treatment of post office employees for bargaining purposes both appear related to the same political factor.⁶ In the railroad industry of the 1920s and the postal industry today, there are employees present in virtually every congressman's district. Most other industries are more geographically concentrated, thus limiting the scope of the political support for special treatment under federal law for employees of that industry. Sometimes, however, the geographical concentration of employees can lead to special treatment. Most notable is the federal black lung program which pro-

⁵ The NLRA also was rationalized because unions would increase wages and purchasing power, thus helping end the depression.

⁶ Other explanations for the relatively early enactment of the Railway Labor Act were the already established constitutional basis for federal regulation of railroads and the support of railroad employers and unions for the legislation. The prospects for special legislation for railroad and post office bargaining were also enhanced by the widespread fear of strikes in these industries.

vides liberal benefits for coal miners. The beneficiaries were largely concentrated in eastern coal mining states where the emotional issue was used by several influential federal legislators. The costs of the program, particularly in the early years, were paid from federal revenues, thus spreading the costs nationally. The black lung program thus is a classic example of a pork barrel program, with the benefits going to a limited locale and the costs spread widely. One reason why the black lung approach has not spread to other diseases is that we don't have many regional diseases.⁷

The dominant governmental level for laws and programs depends on economic forces as well as constitutional limits, national consciousness of a problem, and political considerations. In industrial relations, we are aware of the traditional union goal of taking wages out of competition—this is necessary if the union gains are not going to be undercut by the rapid growth of low-wage competitors. Similarly, the pressure for federal standards is often due to a concern that some states will unfairly attract employers unless they are prohibited from incorporating bargain-basement benefits into their programs.

The analogy of federal involvement in a program to unions taking wages out of competition needs several elaborations. First, it is not just unions that become involved in the quest for federal action. Northern employers and state officials provide support for some standards (such as minimum wage laws) when the southern competition for employers becomes too threatening. The recent rapid exodus of jobs and people from the North to the South led *Business Week* this year (May 17, 1976) to pronounce "The Second War Between the States." One weapon in this war may be the federal standard: there is no better way to dull a competitor's economic advantage than to pass a law increasing his costs.

The economic explanation of federal standards can draw on another shibboleth of industrial relations, namely, that the scope of the bargaining structure sought by unions depends on the scope of the product market. For industries with national markets, the unions seek national uniformity of terms to insulate themselves from low-wage competitors, while in local product markets, such as construction, the union goal is to organize all the employers in the local areas to remove competitive threats. Similarly, the extension of the NLRA to virtually all private sector employers insures some national uniformity of the legal environ-

⁷George Neumann suggested an alternative explanation for the black lung program. Since the program's costs were eventually to be borne by the coal mine operators and since black lung disease results from underground mining, support for the program came from western states, where coal is strip mined, as a way of increasing the cost of eastern coal, which is more likely to be from underground mines.

ment for bargaining for those employers most likely to compete in national markets and most likely to move between regions. In contrast, state and local government employers are not likely to engage in interstate moves and therefore a disparity in the bargaining laws for these employers is not as direct a threat to the competitive position of states with more liberal bargaining laws.

The economic explanation of federal involvement also depends on the average level of cost for a program and the size of the interstate differences in the costs. There is no need to protect states against competitors if the cost of the program is low; even if the average cost is high, competition is not a problem if all states have about the same costs. The increasing federal involvement in the welfare system probably reflects both the high average cost and the substantial interstate variations in costs. Even some business groups, such as the Committee for Economic Development, support a take-over by the federal government of state and local public assistance costs.⁸

The Prospects for Workers' Compensation

Can the fate of workers' compensation be foretold by drawing on the history of labor laws and social insurance programs? Will there be an expanded federal role in workers' compensation in the near future? There is no clear answer to these questions because the history of other programs provides conflicting portents.

Workers' compensation was certified as a national problem in 1972 by the National Commission on State Workmen's Compensation Laws, which concluded that "State workmen's compensation laws are in general neither adequate nor equitable."⁹ Since 1972, the changes in state laws have been, in my view, impressive but insufficient. Thus a national problem still exists as of 1976. However, it is a national problem with a serious defect: it is recognized as such by only workers' compensation aficionados. Workers' compensation has not yet emerged as an issue that has captured public attention, thus diminishing the chances for a federal law.

There have been proposals in the last two sessions of Congress to establish federal standards for workers' compensation. However, these bills had several defects that diminished their prospects. The enforcement mechanisms either were of doubtful constitutionality (because they impinged too deeply into state administrative functions) or were

⁸ Committee for Economic Development, *Welfare Reform and Its Financing* (CED, 1976).

⁹ *The Report of the National Commission on State Workmen's Compensation Laws* (Washington: U.S. Government Printing Office, 1972), p. 25.

politically repugnant (because they threatened as the ultimate sanction a federal take-over at the expense of state employees). I believe that federal standards can be enforced by procedures which are constitutional and which do not displace state employees, but the legislation so far introduced has used other approaches, thus further reducing the prospects for federal legislation.

One factor which increases the prospects for federal action is the rapidly increasing costs of the program. Total employer costs have gone from \$2.7 billion in 1964 to \$4.4 billion in 1969 to \$7.8 billion in 1974. However, this rapid growth has apparently been accompanied by some narrowing of the interstate variations in the employers' costs of workers' compensation, and so the economic pressures for federal action may be offsetting.¹⁰

A final factor that is operating to increase the prospects of federal action is the increased concern about the economic growth of the South, particularly at the expense of the North. If this concern translates into a general movement in Congress to reduce the competitive advantage of the South, workers' compensation may be one of the initial beneficiaries since federal standards legislation has already been drafted, albeit in deficient terms, and several rounds of hearings have been completed.

There are, of course, short-run political considerations which will affect the struggle for federal workers' compensation legislation. However, the import of these considerations is unclear. The Nixon and Ford administrations were avid advocates for a federal benefit standard for the unemployment insurance program despite their announced aversion to expansive federal action. In contrast, the 94th Congress, which reputedly was more liberal than these administrations, refused to enact the proposed benefit standard. These failures of national politicians to follow form complicate the prognosticator's task.

The review of the general factors which explain the division of responsibility between federal and state governments for labor laws and social security programs and of the specific factors pertaining to workers' compensation does not permit an unambiguous prediction about the future of federal involvement in the program. My hesitant prediction is that federal involvement for at least the next few years is unlikely. The states have made some progress in recent years, Congress has produced bills that appear unrealistic and unworkable, and nothing has occurred recently which appears significant enough to displace the traditional

¹⁰ The most recent data are from Daniel N. Price, "Workers' Compensation: Coverage, Payments, and Costs, 1974," *Social Security Bulletin*, vol. 39 (January 1976), pp. 38-41.

dominance of states over workers' compensation. Because I believe that state workers' compensation programs are generally inadequate and inequitable and that well-designed federal standards can bring the reality of the program closer to its promise,¹¹ I view the prospects of federal inaction with a sense of melancholy and with a hope that my seer skills are defective.

¹¹ My evaluation of the program and suggestions for appropriate federal legislation are included in John F. Burton, Jr., "Workers' Compensation Reform," *Labor Law Journal*, vol. 27 (July 1976), pp. 399-406, and in the testimony cited in the article.

Work Injuries and Wage Losses for Partially Disabled California Workers*

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Work injuries that lead to permanent partial disabilities raise a number of interrelated and controversial issues in workers' compensation programs. Cash benefits associated with these injuries are a major component of total program costs accounting for half of all cash benefits in several states. Provision of permanent disability benefits is frequently accompanied by legal controversies as to the work-relatedness of the injury and/or the true extent of permanent disability. Also, it is commonly asserted that the distribution of benefits is inequitable; i.e., many cases are generously compensated while compensation in other cases is seriously deficient relative to the worker's wage loss.

These and related issues, e.g., the appropriate basis for benefits and the extent of overlap with other disability programs, make research into the consequences of permanent partial disabilities both timely and important. The strong possibility of federal legislative initiatives in workers' compensation serves to underscore the importance of work in this area. Previous economic research has not been sufficiently comprehensive to serve as a clear guide for reform efforts at the state level or for suggesting possible minimum federal standards for state performance in the provision of permanent disability benefits.

This paper is part of an ongoing research project headed by John Burton and Monroe Berkowitz which is concerned with permanent partial disabilities in workers' compensation. It will report some preliminary findings of a study of work injuries in California.

A Three-State Wage Loss Analysis

California is one of three states, along with Florida and Wisconsin, being studied under a grant from the National Science Foundation. In each state, a representative sample of permanent disability cases has been selected, and data on worker characteristics, the amount of compensation benefits and the timing of benefits were collected from workers' compensa-

* The research was supported by a grant from the National Science Foundation. John Burton and Monroe Berkowitz are principal investigators for the overall project. Data acquisition activities in California were supervised by Bruce Vermeulen. Any opinions expressed here are those of the author and may not be fully shared by his co-researchers.

tion case files. Tabular data on preinjury and postinjury earnings are then to be provided by the Social Security Administration (but in such a way that the confidentiality of individual workers' earnings records is not violated).

Measures of injury-induced earnings losses will be obtained by subtracting actual postinjury earnings from projected paths of potential earnings for years after the injuries. The resulting measures of earnings losses will then be compared with actual compensation benefits to yield measures of benefit adequacy, i.e., replacement rates. Analyzing the means and variances of these replacement rates for different groups of workers will lead to conclusions as to the adequacy and equity of compensation benefits. Interested readers may consult a 1975 *Interim Report* to the National Science Foundation for a detailed description of the sampling and data collection and preliminary findings for a subset of the California sample.¹

The present paper is very limited in scope; it focuses on patterns of actual preinjury and postinjury earnings of California workers at quite high levels of aggregation. A thorough analysis of compensation benefits and replacement rates in California, Florida, and Wisconsin will be completed later this fall. A full set of conclusions about the adequacy and equity of compensation benefits in the three states can be drawn only after this analysis has been completed.

California Permanent Disability Cases

Because permanent disabilities may cause earnings losses which extend over many years, it is necessary to follow postinjury earnings for several years to assess the earnings recovery process. Also, to minimize problems of irregular earnings patterns associated with labor force entry by younger workers and retirement by older workers, samples of prime age workers have been chosen. Specifically in each state, we have selected a representative sample of private sector² workers aged 20 to 59 in 1968 and judged to have disabilities ranging from 1 percent to 100 percent of permanent total disability.

Table 1 displays a breakdown of the population weighted sample of male cases selected in California. Altogether there are 16,000 workers with the heaviest representation (6,140 or 38 percent) found in the 1-5 percent disability interval, and only 570, or 3.6 percent, in the 51-100 percent category. For the sample as a whole, the mean disability rating was 13.9 percent. Lines 2-5 of the table show the age distribution of

¹ See "Permanent Disability Benefits in the California Workers' Compensation Program, Part III," chs. 12 and 13 (1975), mimeo.

² Public employees were excluded from the sample because of the low social security coverage of state, local, and municipal employees.

TABLE 1

1968 California Male Work Injury Cases by Disability Rating, Age and Injury Location^a

Worker Characteristics	Percent Disability Rating					Total	Mean Rating
	1-5	6-10	11-25	26-50	51-100		
1. All workers 20-59	6.14	3.67	3.56	2.08	.57	16.02	13.9
2. 20-29	2.05	1.20	.74	.48	.08	4.55	10.7
3. 30-39	2.05	.90	1.09	.55	.14	4.73	13.4
4. 40-49	1.08	1.03	.86	.65	.21	3.84	17.1
5. 50-59	.96	.54	.87	.41	.14	2.91	15.6
6. Upper extremities	3.30	1.64	.93	.33	.06	6.25	8.4
7. Back	.85	.99	1.57	1.27	.31	4.99	21.2
8. Lower extremities	.90	.67	.76	.27	.10	2.69	13.7
9. All other parts	1.09	.38	.31	.22	.10	2.09	13.4

^a Worker counts are measured in thousands and mean ratings are percentages of permanent total disability.

these workers, and it is clear that average disability is positively associated with advancing age. For example, only 1.8 percent of the 20-29 year olds have disability ratings above 50 percent whereas 5.5 percent of the 40-49 year olds and 4.8 percent of the 50-59 year olds fall into this highest disability category. The mean ratings in the final column provide a useful summary of the association between worker age and average disability.

A second breakdown of the sample, this time by injury location, is displayed in lines 6-9 of Table 1. From lines 6 and 7, it is clear that the most common type of permanent disability case involves an injury to the upper extremities and that back injuries are the next most common. Upper extremity and back cases respectively account for 39 percent and 31 percent of all cases. These two kinds of injuries, however, differ sharply in their average severity. Most upper extremity injuries are assigned minor permanent disability ratings. Note in line 6 that upper extremity injuries in the 1-5 percent disability range account for more than one-fifth of the entire sample (3,300 of 16,000) and that 6-10 percent cases represent about one-tenth of the total (1,640 of 16,000). Back cases are heavily concentrated in the higher disability intervals. They account for three-fifths of cases rated 26-50 percent, and for more than half of cases rated above 50 percent. Thus, in contrast to the entire sample which has a mean disability rating of 13.9 percent, the mean for upper extremity cases is 8.4 percent whereas for back cases it is 21.2 percent.

The Earnings Experiences of Injured Workers

Since social security data are longitudinal, the earnings experiences of injured workers can be traced for lengthy periods. Table 2 summarizes

TABLE 2
Earnings Indicators for Injured California Men

Year	Percent Disability Rating					Total
	1-5	6-10	11-25	26-50	51-100	
	<i>Panel A—Proportions with Earnings</i>					
Cell Size (thousands)	6.14	3.67	3.56	2.08	.57	16.02
1966	.92	.93	.92	.94	.94	.93
1967	.96	.95	.95	.95	.95	.95
1968	1.00	.98	.99	.99	.99	.99
1969	.98	.92	.90	.73	.50	.90
1970	.93	.92	.87	.73	.55	.87
1971	.87	.85	.82	.74	.51	.82
1972	.85	.86	.82	.75	.49	.82
1973	.84	.85	.81	.76	.42	.81
	<i>Panel B—Mean Earnings of Workers with Earnings (in \$000's)</i>					
1966	5.73	5.61	5.81	5.95	6.11	5.77
1973	9.56	8.87	8.22	8.23	7.08	8.88
1973/1966 Ratio	1.67	1.58	1.41	1.38	1.16	1.54
	<i>Panel C—Total Earnings Indices (1966-67 Average = 1.00)</i>					
1966	.95	.94	.97	.98	.97	.96
1967	1.05	1.06	1.03	1.02	1.03	1.04
1968	1.16	1.04	.92	.85	.71	1.02
1969	1.23	1.17	.93	.69	.38	1.04
1970	1.26	1.21	1.03	.78	.44	1.10
1971	1.28	1.15	1.04	.87	.44	1.11
1972	1.38	1.30	1.12	.98	.44	1.22
1973	1.47	1.35	1.19	1.10	.52	1.30

aggregate earnings trends for all workers aged 20-59 in 1968 for the years 1966 to 1973, that is, from two years before the injuries to five years after the injuries.

Panel A traces by year the proportions of workers with earnings. The cell sizes displayed in the first line repeat the worker counts shown previously in line 1 of Table 1. For 1968, the proportions range from .98 to 1.00, an indication that social security coverage of private sector workers is nearly universal. Moving backward and forward from 1968, the proportions drop off, reflecting exits from and entrances into the labor force and movements into and out of sectors not covered by social security (mainly government employment). Since these are longitudinal data for a sample selected in 1968, these changes in coverage status lower the proportions in both earlier and later years. Thus for 1966, the proportions with earnings range from .92 to .94.

One consequence of the 1968 work injuries is a decrease in the proportions of workers with earnings, with decreases being sharper in the more serious cases. Reading from left to right in Panel A and comparing the proportions for 1968 and 1969, the decreases in the five disability categories are .02 (1.00 - .98), .06, .09, .26, and .49, respectively.

From the preinjury increases in the proportions, it seems that normal cohort attrition (due to leaving the labor force and moving into non-covered employment) is .03 or .04 per year. Consequently, the 1969 and 1970 decreases in the proportions for disabled workers with ratings of 1-5 percent and 6-10 percent probably reflect just the usual pattern of cohort attrition in social security data. For the three higher disability groups, however, the larger 1968 to 1969 decreases in the proportions clearly mean that measurable numbers of workers had no work experience at all in the year following their injury. For men rated 50 percent and above, about half did not work in 1969.

It is also clear in Panel A that a significant proportion of seriously injured workers do not become reemployed subsequent to their injuries. This is most obvious in cases rated above 50 percent where the 1973 proportion (.42) was only half the size of the proportion of cases rated 1-5 percent. Also, however, the 1973 proportions are lower for workers with disabilities of 26-50 percent and even for those rated 11-25 percent, .08 and .03, respectively, when compared to 1-5 percent cases. Later in the paper, the question of postinjury labor force withdrawal will receive more attention.

Panel B focuses on mean earnings of the five disability groups in the years 1966 and 1973. The means for each year are for workers who had some earnings in that year. In 1966, the more serious cases tend to have higher earnings, a reflection mainly of their older average age (recall the age distributions in Table 1). By 1973, this pattern was almost completely reversed. Consequently, growth in mean earnings is negatively associated with average disability, and this is clearly illustrated by ratios at the bottom of Panel B.

Panel C combines information about proportions with earnings (Panel A) and mean earnings (Panel B) and displays patterns of total earnings for this eight-year interval. Total earnings for each of the five disability groups has been indexed at 1.00 for 1966-67 and then traced through 1973. Interestingly, the 1-5 percent group shows no evidence of a pause in earnings growth in 1968 despite their injuries. The pronounced retardation of earnings growth for these workers in 1970 and 1971 undoubtedly reflects the recession of these two years. Note that total earnings again increase rapidly in 1972 and 1973 and the index stands at 1.47 in the latter year.

For all other groups, there is evidence in Panel C that the work injuries led to slower rates of earnings growth. Further, the retardation in earnings growth was much more severe in the more serious cases. For 1973, the total earnings indices are 1.47, 1.35, 1.19, 1.10, and .52, respectively, as one moves up the scale of average disability. Other

patterns are also obvious in Panel C. As average disability increases, the postinjury trough in earnings is deeper and the trough occurs later (in 1969 rather than in 1968).

Cases with disability ratings of more than 50 percent experienced especially large earnings losses. Comparing their 1973 total earnings index of .52 against the index of 1.47 for the 1-5 percent cases suggests these workers earned only about one-third of their potential 1973 earnings because of their 1968 work injuries. From Panels A and B, it is clear that low proportions working and low mean earnings both contributed to this large 1973 earnings loss.

How Adequate Are Workers' Compensation Benefits?

To analyze questions of the adequacy and equity of workers' compensation benefits, the analysis of the California, Florida, and Wisconsin samples will focus on earnings replacement rates. Replacement rates will be computed both on aggregative data and at the level of individual microeconomic observations. Individual workers will be stratified on such criteria as degree of disability, age, injury location, and extent of litigation. Comparisons of means and variances in earnings-loss replacement ratios across different subgroups will then be conducted. Low means and high variances in these ratios will be interpreted, respectively, as evidence of inadequate levels and inequitable distributions of compensation benefits.

As noted earlier, only a partial analysis of the California data has been completed to date.³ The scope of this earlier analysis was limited in two important respects; it covered only a subset of the California sample and it examined benefits and earnings losses for the limited time period 1968 to 1973. Post-1973 benefits and earnings losses would also have to be included in assessing lifetime replacement ratios.

To compute lifetime replacement rates, it will be necessary to estimate prospective earnings up to the year of retirement. For younger workers 35 to 40 years of post-1968 earnings need to be considered. This raises issues of control group methodology which lie considerably beyond the scope of this paper. It may suffice here to note that post-1973 earnings losses are most important for more seriously disabled workers, and that for such workers post-1973 losses undoubtedly far outweigh total post-1973 compensation benefits.⁴

³ See "Permanent Disability Benefits"

⁴ For California cases rated 50 percent and above, roughly three-quarters of lifetime workers' compensation benefits were received by the end of 1973. From Table 2, it is clear that much less than three-quarters of lifetime earnings losses occurred in the 1968-73 period.

One aspect of benefit adequacy to be discussed here is the overlap between workers' compensation benefits and social security disability insurance (DI) benefits. There is evidence that following their injuries sizable numbers of California workers completely withdraw from the labor force and later become DI beneficiaries. This pattern occurs more often in serious disability cases and among older workers. Apparently the workers who cease to be active labor market participants exhaust their compensation benefits and turn to DI as a major source of income support.

Table 3 presents data supporting this interpretation of postinjury developments. Panel A shows proportions of workers with earnings in 1973 according to the same five disability intervals used earlier. Line 1 repeats the 1973 proportions already displayed in Panel A of Table 2, while lines 2-5 show a disaggregated breakdown by ten-year age groups. It is clear in Panel A that the proportions are lower in the higher disability categories and that they are lower for older workers. Although some of the older workers may have voluntarily retired by 1973, only about one-third of the 50-59 age group would have been eligible for early retirement benefits prior to 1973.

Panel B shows DI benefit status for the same groups of workers two years later in January 1976. The proportions in benefit status clearly rise with average disability and with age. Furthermore, the pattern of these proportions shows a strong inverse relationship with the proportions with earnings shown in Panel A. For the 20 independent observations (five disability ranges and four age groups) in Table 3, the simple correlation between the proportion with earnings and the proportion re-

TABLE 3
Proportions Working in 1973 and Proportions Receiving Social Security
DI Benefits in 1976 by Age and Disability Rating

Age Group	Percent Disability Rating					Total
	1-5	6-10	11-25	26-50	51-100	
<i>Panel A—Proportions with Earnings in 1973</i>						
1. 20-59	.84	.85	.81	.76	.42	.81
2. 20-29	.87	.88	.92	.86	.62	.87
3. 30-39	.87	.82	.90	.79	.44	.85
4. 40-49	.89	.91	.81	.79	.37	.83
5. 50-59	.68	.71	.59	.55	.37	.62
<i>Panel B—Proportions Receiving Social Security DI in 1976</i>						
6. 20-59	.04	.07	.09	.14	.39	.09
7. 20-29	.02	.02	.01	.07	.21	.03
8. 30-39	.01	.10	.04	.08	.42	.05
9. 40-49	.05	.04	.12	.13	.41	.10
10. 50-59	.16	.22	.20	.30	.45	.22

ceiving DI benefits is —.978. Since about 95 percent of DI insurance beneficiaries have no earnings, it seems that most of these workers were completely outside of the labor force by 1976.

Interpreting the low proportion of 50–59 year olds with earnings in 1973 is not easy. Perhaps their injuries caused more severe disabilities than indicated by their disability ratings. Perhaps work injuries interact with employer age discrimination to make reemployment of injured older men especially difficult. Perhaps preferences for leisure are much stronger along older men. If they demonstrate a degree of disability which is sufficient to satisfy social security criteria, their DI benefit status may hide some paid retirement for workers younger than age 62.

Whatever the reason, it seems clear that work injuries lead to eventual labor force withdrawal by a sizable number of workers. Consider these workers' likely workers' compensation benefits (permanent disability benefits of \$2,700 annually for as many as eight years, and then additional, but much lower, annual amounts for workers rated 70 percent and above) against their prospective injury-free earnings levels (a mean of something like \$10,000 in 1973 and higher in later years). It appears that for many serious injury cases (those with disabilities above 50 percent) California workers' compensation benefits are inadequate. More precise generalizations for the entire sample and for various subgroups will be possible when the detailed analysis of replacement rates has been completed.

Summary

This paper has presented a brief and highly aggregative analysis of some consequences of 1968 work injuries in California. Later analyses will probably yield a number of insights as to the adequacy and equity of compensation benefits received by these workers. This short paper has served partly as a descriptive vehicle showing some of the demographic characteristics of permanently disabled male work-injury cases.

The main conclusion reached here is that postinjury labor market adjustments are not easy for many injured workers. In fact, five full years after their injuries a sizable proportion had completely withdrawn from the labor force, and seven years after their injuries many of these same workers were social security DI beneficiaries. These withdrawal patterns were more common for older workers and for workers with more serious disabilities. Finally, it seems clear that an assessment of permanent disabilities in workers' compensation must consider lengthy postinjury time periods, i.e., decades, and that a short-run perspective is inadequate for this analysis.

DISCUSSION

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Wayne Vroman's paper is a modest preliminary report, which is derived from an ongoing research project concerned with permanent partial disabilities and workers' compensation. The larger project will develop and implement methods for projecting postinjury earnings losses, compare actual compensation measures to these projected losses, and draw conclusions as to the adequacy and equity of workers' compensation benefits. One cannot question the usefulness of the larger project and the profession should be indebted to Vroman and his collaborators for undertaking it.

One should stress, however, that the key to the success of the project will lie in their ability to project postinjury earnings losses, which for younger workers may persist 35 or 40 years into the future. Vroman states, "This raises issues of control group methodology which lie considerably beyond the scope of this paper." If I was writing the paper, I would have focused on this issue and deemphasized the "progress report" aspects of the paper. Since this issue is the key to the ultimate success of the project, I strongly urge Vroman et al. to present their methodology to the profession for comments and evaluation *prior to* the preparation of their final report.

The current paper is based upon aggregative data from California for workers aged 20 to 59 who became disabled in 1968 and presents simple two-way tabulations in order to answer the following questions:

(1) What are the distributions of the disabled by age and disability rating and by type of disability and rating (Table 1)?

(2) How does the proportion of disabled workers with earnings vary with the disability rating and the number of years since the disability occurred (Table 2)?

(3) How does the ratio of mean earnings after disability relative to mean earnings prior to disability vary with the disability rating (Table 2)?

(4) How does the proportion of the disabled who receive social security disability insurance benefits in 1976 vary across age classes and with disability rating (Table 3)?

The tabulations are straightforward, are discussed in detail in the paper, and consequently, there is little which I, as a discussant, can add. My main concern is that because of the simplistic type of implicit

“quasi-experimental” design used in the paper, the validity of some of Vroman’s conclusions may not be totally established.¹ For example, the methodology used by Vroman in Table 2 is a set of simple “before-after comparisons.” In Panel A, we implicitly are asked to project the proportion of the disabled who would have had earnings after 1968 (in the absence of their disability), on the basis of the group’s experience prior to 1968. No consideration is given to the possibility that changing labor market conditions may have, *ceteris paribus*, reduced this proportion during the 1970s. Furthermore, no consideration is given to the possibility that the aging of the cohort might influence these probabilities. That is, the methodology used suffers from what Campbell and Stanley call the threats to internal validity of history and maturation.² Focusing on comparisons with nondisabled individuals and including controls for age effects could easily have been accomplished with the social security data and would have removed this problem.³ Indeed, given the observed correlation between age and severity of illness (Table 1), it would seem that controls for age should be introduced into all of Vroman’s analyses.

This technical point aside, I want to again emphasize the useful nature of the larger project. Social policy is often made in the presence of imperfect information, and no one will dispute the fact that our information is probably most imperfect in the workers’ compensation area. If Vroman et al. succeed in developing and implementing a method to project postinjury earnings losses, the ultimate contribution of the project may be quite large indeed.

¹ For a discussion of quasi-experimental designs, see the now classic Donald T. Campbell and Julian Stanley, *Experimental and Quasi-Experimental Designs for Research* (Chicago: Rand McNally, 1966).

² Campbell and Stanley, p. 5.

³ Two other technical comments warrant being briefly mentioned. First, Vroman might make some reference to the statistical significance of his numbers. For example, he reports that from 1969 to 1974, the proportion of the disabled with earnings in the 1-5 percent disability rating class fell 14 percent, while the comparable decline in the over 50 percent class was 8 percent. Are these numbers (8 and 14 percent) significantly different from each other in a statistical sense? Second, the comparison Vroman makes in Panel B of Table 2 may be inappropriate. He compares there the mean earnings of disabled workers in 1966 and 1973 by disability rating. The data for each year are restricted to those workers who had some earnings in that year. A better comparison might include in the 1973 sample all workers who had earnings in 1966, as this would more accurately reflect the impact of disability on earnings.

IX. NEW IDEAS IN INDUSTRIAL RELATIONS

Theory, Policy Evaluation, and Methodology in Collective Bargaining Research*

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The purpose of this paper is to comment on the current state of theory and research in collective bargaining and to outline a strategy for improving its value for policy-making and evaluation. An implicit assumption running throughout this paper is that the current state of theory and research in collective bargaining is not adequate to meet the demand for sophisticated analysis of public policy alternatives that affect labor-management relations.

Need for Policy Evaluation Research

One of the best traditions in the collective bargaining literature has been its strong public policy orientation. Ever since the day that John R. Commons embraced the "Wisconsin idea,"¹ i.e., that the role of a scholar is to blend teaching, research, and application, collective bargaining researchers have sought to keep the policy and practical relevance of their research foremost in mind. In the past two decades, however, the demand for more and better policy evaluation research in collective bargaining has outpaced the supply.

For example, during this time-period collective bargaining in the public sector emerged and expanded to a majority of employers and employees of state and local governments. Since each state is free to establish its own procedures to govern this new development, tremendous opportunities to learn from these diverse experiments through well-designed comparative evaluations have arisen. Unfortunately, despite the growth of a vast descriptive and prescriptive literature regarding these

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¹ John R. Commons, *Myself* (New York: Macmillan, 1934), p. 95.

alternative policy options, there has been all too little well-designed empirical research from which data-based policy inferences can be derived. As yet, no common evaluation framework has emerged for examining these policies since there has been little dialogue among researchers over the appropriate research designs, evaluation criterion, or data needed for this purpose.²

Similarly, over the past decade and a half the focus of national labor policy has shifted somewhat from its historical concern with regulating wages, hours, and working conditions indirectly through regulating the process of collective bargaining toward more direct regulation of specific conditions of employment.³ For example, since 1962 the federal government has taken a more active rôle either through legislative, executive, or judicial action on such issues as wages and prices, manpower policies, equal employment opportunity, occupational safety and health, pensions, health insurance, and productivity and the quality of work. John Dunlop has noted that the number of regulatory programs administered by the Labor Department doubled (from 18 to 40) between 1940 and 1962 and more than tripled (from 40 to 134) between 1960 and 1975.⁴ This has led him, and others, to call for a critical examination of the alternatives to those complex regulatory mechanisms for achieving the goals of public policy in the industrial relations area. While Dunlop calls for less regulation, however, there are signs that the labor movement is moving in the opposite direction and is likely to increase its emphasis on improving the lot of working men and women through legislation. In fact, Dunlop seems to recognize this since he states: "It is not realistic to expect any significant reduction in the number of Federal regulatory programs in the immediate future; it is likely that the political processes and the Congress will seek to add new ones."⁵

The point of the above discussion is not to argue for or against more governmental regulation of labor-management relations. Instead, it is to

² A more detailed discussion of the theoretical and research-design problems in evaluating the effectiveness of the impasse procedures in public sector bargaining is included in Thomas A. Kochan, "Evaluating the Effectiveness of Impasse Procedures: Some Conceptual and Research Design Problems," in *Proceedings of the 1975 Annual Meetings of the Society for Professionals in Dispute Resolution* (Washington: Bureau of National Affairs, in press).

³ For a discussion of this qualitative shift from process to outcomes, see Jack Barbash, "Trade Unionism and the General Interest: A Theory of Positive Public Policy Toward Labor," *Wisconsin Law Review* (1970), pp. 1135-44. For an example of the discussion of the impact of this type of strategy on the bargaining relationship, see Arthur B. Smith, Jr., "The Impact on Collective Bargaining of Equal Employment Opportunity Remedies," *Industrial and Labor Relations Review*, vol. 28 (April 1975), pp. 376-94.

⁴ John T. Dunlop, "The Limits of Legal Compulsion," *Labor Law Journal*, vol. 27 (February 1976), p. 67.

⁵ Dunlop, p. 72.

point out that the public policy environment for collective bargaining has changed considerably over the last two decades and the need to evaluate alternative public policy options and approaches has vastly increased.⁶ The point made on this issue by Myron Joseph in 1969 is more relevant now than ever:

The government has participated increasingly in the bargaining process with very little basis for estimating the impact of its role. We urgently require a better background for evaluating the effects on the resultant patterns of wages and working conditions of wage-price guideposts, ad hoc mediation boards, and other government intrusions into the bargaining process. . . . The impact of public policies and government participation in collective bargaining should be given high research priority.⁷

Before we blindly forge ahead in efforts to meet the challenges posed by Dunlop and Joseph, we need to clearly define the term "public policy" and to identify the role of collective bargaining theory and research in evaluating alternative policy options.

Public Policy and Collective Bargaining Theory

Public policy can be defined as the "desired goals or targets of the relevant governmental units on some specified set of issues or events."⁸ In industrial relations these goals or targets span a wide range of issues at levels ranging from (1) the macro or societal level (e.g., distribution of income, price stability, full employment, etc.), to (2) the level of the bargaining relationship (e.g., preservation of free collective bargaining, avoidance of strikes, productivity improvement, etc.), and to (3) the level of the individual (e.g., protection of individual rights, improvement in safety and health, equal employment opportunity, improvement of the quality of work, etc.). Thus, it is the task of collective bargaining theory and research to develop the normative assumptions, concepts, models, and methodologies necessary to evaluate alternatives for achieving these goals. To use the terminology of Thomas Kuhn, we need to develop a "paradigm" for the study of collective bargaining that is capable of dealing with these issues at all three levels.⁹

⁶Dunlop makes the same point in the article cited above: "Regardless of the theoretical merits of regulation, it is important as a practical matter that more attention be given towards improving the quality of regulation." Dunlop, p. 72.

⁷Myron L. Joseph, "Approaches to Collective Bargaining in Industrial Relations Theory," in *Essays in Industrial Relations Theory*, ed. Gerald G. Somers (Ames: Iowa State University Press, 1969), p. 59.

⁸Thomas A. Kochan, "Correlates of State Public Employee Bargaining Laws," *Industrial Relations*, vol. 12 (October 1973), p. 323.

⁹Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962), p. 15.

Since Kuhn argues that the development of any new paradigm should build incrementally on those that already exist, the first step toward development of a paradigm suitable for policy research is to assess the contributions and limitations of existing frameworks and methodologies. We will discuss the approaches of three groups that have shared an interest in collective bargaining and labor-management relations: the economists, the institutionalists, and the behavioral scientists.

The Economic Approach

The framework that has guided most economic analyses of policy issues affecting labor-management relations is derived from neo-classical economics. The normative criterion in this framework is economic efficiency. Price theory and marginal analysis are used to derive predictions regarding the behavior of decision-makers under conditions of competition in the labor and product market. Most of the economic research dealing with collective bargaining has centered on estimating the average impact of policies or of unions on wages, discrimination, inflation, or on other income-related *impacts* of bargaining.¹⁰ The dominant methodological approach has been to estimate a model based on the assumptions of a competitive market and then to enter the variables in the model together with the policy or union measure in some form of regression equation. Economists have paid less attention to the process of bargaining or to union organizational characteristics, although several theories of aggregate strike activity and aggregate union growth have been developed.¹¹

This framework is perhaps most useful at the macro levels of analysis, particularly for estimating the average impacts of a given policy or of unionization. Since this is an important consideration in evaluation research, this contribution of economic analysis should not be minimized. Economic theory is also useful as a *starting point* for building models capable of evaluating the effects of policies at the levels of the bargaining relationship and the individual since economic considerations act as *one set* of environmental constraints on decision-makers at these more micro levels. Used alone, however, economic models lose much of their predictive power at the micro level.

Economic analysis based on the neo-classical framework is deficient as the sole paradigm for policy research in labor-management relations

¹⁰For a review of much of this work, see George E. Johnson, "Economic Analysis of Trade Unionism," *American Economic Review*, vol. 65 (May 1975), pp. 23-28.

¹¹See, for example, Orley Ashenfelter and George E. Johnson, "Bargaining Theory, Trade Unions, and Industrial Strike Activity," *American Economic Review*, vol. 59 (February 1969), pp. 35-49; and Orley Ashenfelter and John Pencavel, "American Trade Union Growth, 1900-1960," *Quarterly Journal of Economics*, vol. 82 (August 1969), pp. 434-64.

issues, however, for at least two reasons. One of these deals with the normative premises on which the economic model is based and the other is a theoretical issue.

The normative premises of neo-classical economics are inadequate for evaluating labor policies since one of the goals of most protective labor and social legislation is to buffer some set of individuals or interest groups in society from the effects of market forces. That is, social or labor legislation emerges when policy-makers judge that private market forces have produced an unacceptable set of outcomes and therefore some changes are desired. (One value of the market paradigm in this situation, however, is to help identify the costs of this type of legislation in terms of the amount of economic efficiency that must be forgone).

Industrial relations scholars, on the other hand, have long recognized that there is an inherent conflict of interests between the goals of employers and consumers for economic efficiency and the goals of employees (e.g., higher wages, more secure jobs, control over the work environment, status, prestige, etc.).¹² Thus, the central normative premise of industrial relations, namely, that an inherent conflict of interests exists between employees and employers, provides a more suitable starting point for building a paradigm for policy evaluation in this area than does the neo-classical model.

The second limitation of economic models for policy evaluation is that they tend to treat most institutional characteristics as short-run constraints that need not be explicitly included in policy evaluation models. For example, economic models have been criticized for not adequately considering the effects of the (1) distribution of power among decision-makers or interest groups,¹³ and (2) the cognitive, structural, and political limits on utility maximizing behavior,¹⁴ issues which are at the heart of institutional and behavioral research. This limitation again helps explain why the economic model loses much of its predictive power as we move from the aggregate or societal level of analysis to the level of the bargaining relationship and the individual.

In summary, then, the economic paradigm is most useful for policy evaluation and prediction at the macro or aggregate levels. It is particularly useful for estimating the average effects of a policy on the goal of economic efficiency. It is less useful than most economists recognize, however, as an evaluative tool since it fails to account ade-

¹² See, for example, Jack Barbash, "The Elements of Industrial Relations," *British Journal of Industrial Relations*, vol. 2 (1964), pp. 66-78; or Alan Fox, *A Sociology of Work in Industry* (London: Collier MacMillan, 1971).

¹³ John Kenneth Galbraith and Joan Robinson are probably the two best-known critics of neo-classical economics in this regard.

¹⁴ Herbert A. Simon, *Administrative Behavior* (2d ed.; New York: Free Press, 1957).

quately for conflicts of interest across groups in society. Finally, economic analysis needs to be supplemented with additional concepts and variables as we move to the more micro levels of the bargaining relationship and the individual.

The Institutional Approach

Many of the problems cited above led to the development of the institutionalist approach to the study of collective bargaining. Specifically, the institutional approach arose out of a dissatisfaction with the ability of classical economic theory and methods to explain how the critical economic transactions are made that affect the course of industrial society.¹⁵ Growing out of the pioneering break from classical economics by Commons and others, the major contributors to the study of collective bargaining and labor-management relations therefore adopted the historical/legal approach to conceptualizing the bargaining process and its related problems. Instead of generalizing on the basis of broad economic principles, the institutionalists sought to describe and study collective bargaining at the level where the actual transactions took place. Thus, their primary unit of analysis is the bargaining relationship.

Many of these researchers blended a career of practice with academic research and writing and thus have provided us with a rich storehouse of description, facts, and interpretations of important developments over the years. This tradition of rich or "thick" description through case-study research has endured to the present time as the predominant methodological approach to the study of collective bargaining and labor-management relations. While this approach is essential for building a sound empirical base that closely reflects the reality of practice in labor relations, it has been accompanied by two unfortunate by-products.

First, there has been no evolution from the rich description that is necessary in the initial stages of study of any phenomenon to the development of a somewhat more analytical approach, i.e., one that places the problems or issues of interest in a theoretical framework and employs empirical research strategies to test and ultimately refine the theory. Thus, the cataloging and refinement of the concepts introduced by the institutionalists have not yet taken place. As a consequence, the institutionalists have yet to achieve their objective of improving the predictive and explanatory power of classical economic theory. More importantly, this line of research has had little effect on the policy

¹⁵ It is hard to find a clear and concise statement of the basic rationale for the development of institutional economics. One passage that comes close to such a statement is found in John R. Commons, *Legal Foundations of Capitalism* (New York: Macmillan, 1924), pp. 387-88.

evaluation models that neo-classical economists currently employ in conceptualizing labor policy issues.

Second, a deep and widening gulf has developed between the institutionalists and the quantitative labor economists who have embraced neo-classical economic theory as their dominant paradigm. Because the institutionalists failed to develop adequate theories or methods for testing their theories in policy-related research, most of their work is ignored by the modern neo-classical economists who currently dominate the policy-evaluation process in the U.S. Department of Labor and in the field of labor economics in general. For example, the office of the Assistant Secretary of Labor for Policy, Evaluation, and Research—the “think tank” of the Labor Department—has for better or for worse been dominated by highly rigorous labor economists who use the neo-classical paradigm as their central framework. This has occurred partly because there is no alternative set of researchers as well trained and able to perform the kinds of evaluation this office is asked to conduct.

The normative premises of the institutionalists closely parallel the underlying premises of industrial relations outlined above. They expand on these premises to place a heavy value on the process of “free” collective bargaining. In contrast to the economists’ concern with the outcomes of bargaining on the larger society, the institutionalists have focused more on protecting the process of bargaining from erosion by governmental interference or by the domination of one party or the other.

While the institutionalists have the best grounding in the practice of and the substantive issues in bargaining, they have not been able to organize their knowledge into a conceptual framework suitable for empirical testing. Institutionalists have avoided formal efforts at theory construction and many continue to distrust quantitative analysis. Thus, they have not been able to generate a systematic body of data amenable to evaluating alternative ways to achieve the values they hold.

The Behavioral Scientists

The conceptual and methodological limitations of the institutionalists have led to the development of a third generation of collective bargaining researchers, namely those who have adopted the concepts and methodological techniques of behavioral science.¹⁶ In many ways, the behavioralists are best suited to deal with public policy issues at the organizational and individual levels of analysis since they draw heavily on the concepts, measurement techniques, and research designs of sociologists and psy-

¹⁶ The most comprehensive application of behavioral science theory to the study of collective bargaining is Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

chologists. The strongest contribution of the behavioralists lies in their methodologies for measuring what economists might label unobservable concepts. However, to provide substance to their technique, behavioralists return to the institutional literature.

Toward an Integration

The above brief description of the three alternative approaches to bargaining theory and research should suggest that while each approach can contribute to collective bargaining theory and research, none of them alone can fulfill the policy evaluation needs outlined earlier. Thus, the central task of future collective bargaining researchers is to work toward an integration of the three approaches. This will require breaking down the distinctions between the three separate approaches outlined above. Some of the specific adjustments in the research traditions of each approach that might aid in moving in this direction are suggested below.

Researchers working with an economic paradigm will need to incorporate more institutional variables in their policy evaluation models and will need to extend their analysis to the micro level. As an economic or an industrial relations system becomes more diverse and complex, aggregate estimates of policy impacts become less meaningful and ultimately less useful. Economists will need to explore more intensively why different sectors, industries, bargaining relationships, and even individuals respond differently to the same economic stimulus or policy treatment. They will also need to provide better explanations why different estimates of the effects of a policy or a union impact result when the level of analysis is changed. For example, estimates of the union impact on wages are extremely sensitive to the level of analysis used. Johnson showed that the union effects on an individual's wage may be as high as 33 percent, while most estimates of the average effects of unions on wages at higher levels of aggregation cluster below 20 percent.¹⁷ If economists make these adjustments in their approach, they will be forced to (1) put more emphasis on collecting more micro data specific to their research objectives, (2) adopt the measurement techniques of the behavioralists, and (3) worry more about the validity and reliability of measures of their constructs.

For their part, the institutionalists will need to be more precise in specifying the issues of concern to them (dependent variables) and the range of factors that affect these issues (independent, intervening, and moderator variables). In short, they will have to make greater efforts to abstract from the details and the unique experiences of practice in order to search for the larger patterns in the events they study. They

¹⁷ Johnson.

also will need to recognize that much of what interests them in collective bargaining can be conceptualized as a special, albeit a complex, case of the larger economic and behavioral phenomena studied by other social scientists. Thus, the institutionalists must learn to draw on existing theories wherever possible rather than developing specific theories that duplicate work in other areas. If institutionalists move toward more formalized model-building as suggested here, they will also need to overcome the fear of model-testing and quantitative research. The advances in research design and data analysis of economists and behavioral scientists are available to those who wish to explore their applicability (and their limitations) to collective bargaining problems. Thus, graduate programs for training future collective bargaining researchers should insure that students are adequately trained in the best methodological techniques of the economists and the behavioralists.

Since the behavioralists are the newest entrants into this field, there is less to say about changes that they need to make in fostering more integrative collective bargaining research.¹⁸ Until recently, most behavioral scientists have tended to ignore issues related to union-management relations. There are a few hopeful signs that this is changing. However, many behavioralists are still reluctant to accept the normative premise regarding the inherent nature of conflict in industrial relations and have been somewhat unwilling to adapt their theories and measures to fit the specific institutional context of a collective bargaining relationship. If behavioral scientists are to make a lasting contribution to the study of collective bargaining, they will need to accommodate to this normative premise and build on the institutional literature already available in this area.

Achieving these integrative goals will not be easy; neither is it impossible. In fact, there are several current projects which are already making considerable progress toward this goal.¹⁹ The other papers presented at this session are excellent examples of sound analytical studies that integrate various components of the field. There are two studies in progress on the impact of unions and collective bargaining in hospitals (one is being conducted by Hervey Juris and colleagues at Northwestern and the other by Richard U. Miller, Glen Cain, and Edward Krinsky at Wisconsin) which combine economic, institutional, and behavioral meth-

¹⁸ The paper by George Strauss contained in another section of these *Proceedings* raises a number of important questions for behavioralists interested in applying their models and techniques to the study of conflict in industrial relations. See George Strauss, "Conflict Resolution: Hope for a New Synthesis Between Organizational Behavior and Industrial Relations?"

¹⁹ Listing the specific references to each of the projects cited here would require more space than is available. The names and locations of the researchers are listed in the text so that interested individuals can contact the researchers directly.

ods to evaluate collective bargaining in this sector. Stephen Goldberg and Jeanne Herman at Northwestern are in the initial stages of an extremely well-designed study of wildcat strikes in coal mining that combines institutional and behavioral analysis. Similarly, Paul Goodman at Carnegie-Mellon is evaluating an experiment in autonomous workgroups in a unionized mine in another carefully designed study involving union-management issues. Hoyt Wheeler at Minnesota and I have just completed a study of the impact of bargaining rights on the performance of supervisors in fire departments in which we drew on the personnel literature and research techniques to measure performance. A study of the impact of collective bargaining on manpower utilization in local government is nearing completion at Columbia by David Lewin, Raymond Horton, and James Kuhn. At Cornell several projects by faculty and graduate students are in progress that seek to combine diverse theoretical and methodological approaches: (1) William F. Whyte is directing a study of different strategies of organizational change involving union-management cooperation and employee participation; (2) Robert Stern is examining alternative ways to integrate economic and sociological studies of strike patterns; (3) John Anderson has recently completed a study of union democracy that combines concepts and techniques of behaviorists and institutionalists; (4) Anderson has also completed an evaluation study of impasse procedures and bargaining outcomes in the Canadian federal service that builds on recent work in wage determination and bargaining outcomes; (5) David Lipsky and John Drotning are studying the relationship between use of impasse procedures by teachers and wage outcomes; and (6) finally, several of us are currently evaluating the impact of a new arbitration statute for police and firefighters that focuses on both the aggregate state level and the level of the bargaining relationship and mixes economic, legal, and behavioral concepts and techniques.

These few examples provided here certainly are not exhaustive of all the innovative research going on in the area of labor-management relations. Rather, this sampling of what is now under way is mentioned here only to show that the process of integration called for in this paper is perhaps already in motion. Hopefully these examples are sufficient to suggest that we are entering a new and exciting era in collective bargaining research.

Pitfalls to Avoid

There are several important pitfalls that need to be avoided in the process of moving in this direction. First, the healthy dialogue between collective bargaining researchers and practitioners that now exists must

be maintained. We specifically need to avoid the trap of reporting the results of our work in a way that speaks to only a handful of academic researchers and bypasses the ultimate audience that we wish to affect, namely policy-makers and practitioners. Second, and perhaps most importantly, we must avoid at all costs designing graduate programs that merely produce competent technicians who are well founded in research design and data analysis but are not well founded in the historical/institutional base of the field. Institutional research provides a rich storehouse of raw materials that can be utilized to build better theories of collective bargaining phenomena. Thus, we must be careful to not ignore that body of work in our rush to advance the field. Finally, we must avoid the temptation to reduce everything to quantifiable terms, lest we be accused of acting like the little boy with a new toy hammer who decided everything in his world needed pounding.

A Functional Analysis of Interest Arbitration in New York City Municipal Government, 1968–1975

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Increased public sector unionism coupled with legal prohibitions against public employee strikes have led to a proliferation of arbitration procedures designed to act as strike substitutes. This study offers a functional analysis of one of these procedures, interest arbitration, in New York City municipal government to determine who has used it and for what purposes.¹ New York City's experience is worthy of close analysis because interest arbitration has been available since 1968, and because, for the 1968–75 period under examination, 890 contract settlements were reached, with both uniformed and nonuniformed unions having access to interest arbitration.

The following major findings emerge from the analysis: First, interest arbitration was utilized primarily by a few bargaining units and unions; these tended overwhelmingly to be smaller units of "nonessential" employees. Second, interest arbitration served three functional roles that are important dimensions of collective bargaining and political processes, but that are only tangentially related to strike prevention.

Collective Bargaining Structure

New York City municipal government possesses a highly complex labor relations network and collective bargaining structure. This study examines the interest arbitration record of approximately 200,000 employees who were under the jurisdiction of the New York City Office of Collective Bargaining.² These workers were employed in over 1300 job

* I would like to thank David Levin for his constructive comments.

¹ Interest arbitration is also called impasse arbitration in New York City. The three basic types of interest arbitration are advisory, compulsory, and final-offer. These are procedures designed to resolve disputes arising from contract negotiation and should be distinguished from grievance arbitration procedures. References to arbitration in the text refer to interest arbitration.

² All employees of New York City mayoral agencies fall under the aegis of the New York City Office of Collective Bargaining (OCB). Employees of quasi-mayoral agencies may elect to be covered by OCB or remain under the jurisdiction of the New York State Public Employment Relations Board (PERB). To date, employees of the New York City Housing Authority, Off-Track Betting Corporation, and Board of Higher Education have elected to be under the jurisdiction of OCB, while teachers and transit workers are covered by PERB.

titles, belonged to 85 separate unions, and were represented in negotiations by as many as 405 bargaining units.

Membership in New York City public employee unions ranged from 120,000 employees in the City-wide Career and Salary Plan bargaining unit of District Council 37, American Federation of State, County, and Municipal Employees, AFL-CIO (DC 37), to 60 part-time employees represented by the Podiatry Society of the State of New York.³ Some unions, such as the Uniformed Firefighters Association or the Patrolmen's Benevolent Association, were single-title unions with largely homogenous memberships all employed by one city department. Other unions were multioccupational, multititle, and multiagency with memberships that included heterogenous groupings of both white- and blue-collar workers. Moreover, a single union may have had several locals within it; DC 37 had over 60. With regard to collective bargaining units, the situation is even more complicated. Only in single-title unions were the union and the bargaining unit the same entity. In other unions, one local may have had several bargaining units and one bargaining unit also may have included several locals.

An important structural consideration influencing the functional role of interest arbitration in New York City is that little or no cost or uncertainty had been built into the arbitration process. The parties to bargaining did not have to exhaust the services of mediators or fact-finders before an impasse could be declared. Impasse could be invoked by either party or by the Director of the Office of Collective Bargaining. Both labor and management had an effective veto over an arbitrator serving on an impasse panel if they deemed the specific neutral unacceptable. Moreover, even though arbitration panels' decisions presumably were made final and binding upon both parties in 1971, a decision could be appealed to the Board of Collective Bargaining.

Impasse Utilization: New York City 1968-1975

During the 1968-75 period, bargaining impasses were declared in slightly more than 15 percent of all City of New York contract negotiations. The number of interest arbitration cases fluctuated in the first four years, but, as a percentage of settlements, stabilized after 1970. Since then, between 10 and 12 percent of all contract negotiations have resulted in a request for arbitration.

The utilization of interest arbitration appears to have been habit-

³The DC 37 City-wide Career and Salary Plan bargaining unit includes DC 37's membership of approximately 100,000 employees, plus all other nonuniformed employees, except prevailing wage workers and those in managerial and confidential job titles. For the Career and Salary Plan bargaining unit, DC 37 bargains on non-wage items such as health insurance, time and leave benefits, and pensions.

TABLE I
Size of Bargaining Units in Interest Arbitration Cases Heard Before Arbitration Panels in New York City Municipal Government, 1968-75

Year	Number of Employees						Total
	0-100	100-500	500-1000	1000-5000	5000-10,000	10,000+	
1968	9	7	1	1	0	1	19
1969	5	4	1	3	1	0	14
1970	5	1	2	3	0	1	12
1971	2	5	0	2	1	2	12
1972	1	3	1	3	0	0	8
1973	4	2	0	1	1	2	10
1974	0	3	0	2	0	1	6
1975	2	2	0	1	0	0	5
Numerical subtotals	28	27	5	16	3	7	86
Percentages	33%	31%	6%	19%	3%	8%	100%

Source: New York City Office of Collective Bargaining.

forming for some municipal employee unions.⁴ Only 31 of the 85 unions ever declared impasse and 88 percent of the 124 arbitration requests came from unions that resorted to arbitration at least twice. Not unexpectedly, two of the largest multibargaining unit unions accounted for 50 percent of arbitration cases heard, but within these unions, arbitration usage was concentrated among a few bargaining units. For example, DC 37's Lifeguard local went to arbitration in 1968, 1970, and 1973, establishing a pattern similar to that of some single-title unions, such as the Licensed Practical Nurses who declared impasse in 1970, 1972, and 1974.

Not only was arbitration utilization concentrated among a few unions, but also it was used disproportionately by smaller bargaining units of "less essential" employees. Sixty-four percent of all bargaining units that went to arbitration had 500 or fewer workers. New York City employee unions have been willing to declare a negotiation impasse for the Director of Rent Research, a bargaining unit of one; the Supervisors of Menagerie, a bargaining unit of three; and Electroencephalographic Technicians, a bargaining unit of fifteen.

Twenty-eight percent of the arbitration cases involved units of 500 to 10,000 employees (Table 1). Except for three cases brought by the Sanitationmen, none of these involved employees whose strike activity would seem to have jeopardized the city significantly. Nonessential employees who invoked arbitration during the period in this category included training probation officers, storekeepers, hospital security officers, off-track betting employees, licensed practical nurses, and administrative employees of the Board of Higher Education.

⁴The "narcotic effect" of compulsory arbitration on collective bargaining has been investigated by Wheeler. See Hoyt N. Wheeler, "Compulsory Arbitration: A 'Narcotic Effect?'" *Industrial Relations*, vol. 14 (February 1975), pp. 117-20.

Seven of the arbitration cases involved bargaining units of 10,000 or more employees. Firefighters went to arbitration three times (including 1973 when arbitration was invoked after a strike); patrolmen twice; a DC 37 "aide" grouping once; and the DC 37 City-wide Career and Salary Plan unit once. In six of these seven cases a negotiation impasse was not declared by the parties at the bargaining table, but rather by the Director of the Office of Collective Bargaining or by a judge.

Though the purpose of this paper is not to measure the impact of interest arbitration on the level of strike activity of New York City municipal government employees, the record outlined above suggests that in as many as 94 percent of the cases, the bargaining units invoking arbitration procedures could not have mounted substantial or successful strikes because of their size and the nonessentiality of the services provided by the employees in the units. Following the hypothesis prompted by the general theory of government employee strikes outlined by Burton and Krider, if New York City's interest arbitration were a strike substitute then only moderate-sized unions would avail themselves of it.⁵ The theory states, on the one hand, that weak unions have little reason to strike since their membership is better paid than their power and strength would justify, while on the other hand the largest unions do not need to strike because they can achieve their goals politically. The data presented here have demonstrated that relatively small units of New York City municipal workers were the heaviest users of interest arbitration procedures over the 1968-75 period and, thus, that those procedures were not so much strike substitutes as strike supplements.

Moreover, that small bargaining units resorted to arbitration so freely apparently supports, instead, the hypothesis generated by the work of Summers.⁶ He argues that because public sector bargaining is a political process, powerful public employee unions will have access to that process and therefore do not require collective bargaining procedures. Summers notes further that, "Collective bargaining procedures most assist those groups which are least able to exert significant influence in the normal political process. . . ."

Additionally, these data tend to validate the hypothesis implicit in some collective bargaining theories that the functional role of most third-party procedures, including those of New York City, will not be one primarily of strike prevention because the procedures lack cost and

⁵ John E. Burton, Jr., and Charles Krider, "The Incidence of Strikes in Public Employment," in *Labor in the Public Non-Profit Sectors*, ed. Daniel S. Hamermesh (Princeton, N.J.: Princeton University Press, 1975).

⁶ Clyde W. Summers, "Public Employee Bargaining: A Political Perspective," *Yale Law Journal*, vol. 83 (May 1974), pp. 1199-2000.

uncertainty, the two key components of the strike decision.⁷ This is not to say that interest arbitration does not sometimes play a role in strike decisions; rather, it is to suggest that its role as a strike deterrent may be a limited one and that interest arbitration performs other roles in the collective bargaining process, some of which may have important policy implications. These are examined below.

Functional Use of Interest Arbitration

Interest arbitration assumed three key roles in the collective bargaining process in New York City, roles that are only tangentially related to the legislated function of strike prevention. First, interest arbitration played a large role in providing a forum to plead parity imbalances for certain less powerful occupational groups of city employees. Second, arbitration became an important element in the intraorganizational bargaining process for particular unions and city negotiators. Third, union leaders used the availability of arbitration to help them fulfill their leadership functions.

PARITY ADJUSTMENT ROLE

The role played by interest arbitration in adjudicating perceived parity imbalances results from the pervasive significance of reference-group comparisons in the wage-determination process for New York City municipal workers. First identified by Ross as a determining variable in the wage-setting process in the private sector, reference-group comparisons are a key variable in New York City's public sector bargaining as well.⁸ The complicating factor is that the extreme number of groups makes the process more complex for New York City than for most private sector employers.

For New York City's municipal workers, the overall percentage wage increase is established by the contract settlements of the large, politically potent unions in the public sector or by key wage settlements in the private sector. The wage base, however, for a bargaining unit is determined by narrower reference-group comparisons. For a bargaining unit to receive an increase larger than the basic wage pattern, it must improve its wages and benefits vis-à-vis another bargaining unit. In New York City the parity relationship is the measure of ranking among bargaining units.

⁷ See Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965) and Carl M. Stevens, *Strategy and Collective Bargaining Negotiations* (New York: McGraw-Hill, 1963).

⁸ Arthur M. Ross, *Trade Union Wage Policy* (Berkeley: University of California Press, 1948). See also Seymour Martin Lipset and Martin Trow, "Reference Group Theory and Trade Union Wage Policy," in *Common Frontiers of the Social Sciences*, ed. Mirra Komarovsky (Glencoe, Ill.: Free Press, 1957), pp. 391-411.

Ninety-six percent of the interest arbitration requests between 1968 and 1975 presented claims for wage and benefit increases justified on the basis of a parity imbalance. Even more significant is the fact that the majority of parity arbitration cases involved employees in four occupational groups: health workers, court system employees, park and recreational workers, and law enforcement employees. Traditionally, these employees have occupied low-status jobs, and many were represented by small unions or were in small bargaining units. Moreover, these workers regarded other highly visible, better-paid employees, including some in the private sector, as providing comparable services. Lacking the clout to secure desired changes in parity relationships at the bargaining table, the unions went to impasse, hoping the arbitrator would recommend the adjustment they sought.

The arbitration cases involving workers in the law enforcement field offer a good example of the role arbitration played in parity adjustment. The large number of cases were stimulated primarily by the gains secured by New York City's police officers between 1960 and 1974. Hospital security guards wanted parity with city patrolmen; uniformed court officers sought parity with city police sergeants (as opposed to assistant court clerks with whom they had parity); detectives assigned to the District Attorney's office desired parity with city police department detectives; and court clerks wanted parity with housing patrolmen who themselves had full parity with city patrolmen. In one case, Senior Deputy Sheriffs attempted to reverse the parity gains made by Deputy Sheriffs by trying to have arbitrators reestablish the traditional 29 percent differential between themselves and the Deputy Sheriffs that had been eroded.

Further, it appears that New York City municipal workers did not distinguish between public and private sector workers when determining the appropriate reference group. The considerable number of impasse cases involving health workers underscores this point. Registered nurses, pharmacists, interns, and residents employed by the city all were oriented toward higher-paid reference groups in the private sector. These bargaining units went to impasse in order to achieve salaries more comparable to those in the private sector. Other health workers in the city, generally better compensated than their private sector counterparts, used references groups within the city system: practical nurses sought wages and benefits more similar to those paid to city registered nurses.

INTRAORGANIZATIONAL BARGAINING ROLE

Another important role played by interest arbitration procedures was to facilitate intraorganizational bargaining within the union's and city's

management. The process of arriving at a consensus on the boundaries of a bargaining position was often difficult for both parties. The management of the city was highly fragmented, and the management actors in the negotiating process sometimes responded to different constituencies. With almost 100 contract settlements annually, many issues did not appear to be of sufficient importance to use scarce internal resources to create a consensus within the overall management ranks of the city or even between the city negotiator and his immediate superiors within the Office of Labor Relations, the agency that represents the city in negotiations. The top ranks of the municipal employee unions frequently were more unified behind a bargaining position, unless the leadership was being challenged by insurgent groups. The intraorganizational challenge for the top union leadership was to sell an already formulated negotiating position to bargaining unit representatives and members of the locals.

Often the negotiators for the two sides were in closer agreement with each other on a particular issue than with other individuals in their respective organizations. As constant actors in the labor relations process, having to work together in grievance proceedings, fact-findings, mediations and arbitration panels as well as contract negotiations, frequently both negotiators developed overlapping zones of acceptable outcomes. Rather than trying to secure agreement within their organization, the negotiators, instead, turned to arbitrators to hand down a decision that, for internal political reasons on one or both sides, the negotiators could not agree to publicly.⁹

The use of arbitration for intraorganizational bargaining purposes in New York City may explain the pattern of reliance on a few arbitrators to settle arbitration cases. If arbitrators were to fulfill the role expectations delineated for them by the city and the union negotiators, the arbitrators must be completely trustworthy. Ninety-four percent of the cases heard by arbitration panels over the 1968–75 period had at least one arbitrator who had sat on a panel at least twice. Only five cases were ever heard by an arbitrator, as a one-man panel, who had not previously served. When asked how their use of impasse procedures would change if they had no part in the selection of arbitrators, the union and city negotiators who invoked interest arbitration most frequently said that they would not use arbitration under those conditions.

LEADERSHIP ROLE

Closely related to the intraorganizational bargaining role is the

⁹ This information was obtained in confidential interviews with several New York City municipal union officials and Office of Labor Relations negotiators.

leadership role that arbitration helps union leaders to fulfill. Arbitration provides a low-risk opportunity for union leaders to go "all the way" for their memberships in an environment with substantial interunion rivalry. Between 1968 and 1975, union leaders declaring impasse often acted as if going to arbitration was the equivalent of striking. Indeed, they wanted their memberships to believe that going to arbitration required the same qualities required of union leaders taking their memberships out on strike.

The leadership uses of interest arbitration were especially evident when union leaders were up for reelection or were newly elected. That going to arbitration could be a useful strategy for a union leader up for reelection was a fact not lost on city negotiators. The latter have aided union leaders they liked by appearing particularly intransigent at the bargaining table so the issue could be settled by an arbitration panel. A victory could then be announced by the union leader for an outcome the city would have been willing to accept in negotiations.

Newly elected union officials also found going to arbitration a valuable leadership tactic. They were able to assume tough postures publicly to help them secure and strengthen their positions within their unions, usually with minimal risk or cost. In 1974, Ken McFeeley, the newly elected president of the Patrolmen's Benevolent Association (PBA), made the optimal time to invoke arbitration the key strategy decision in the contract negotiations. He wanted to establish a solid position with his membership by showing his total commitment to an issue of importance to them, namely, that of breaking parity with the firefighters, without having to go out on a strike that the PBA had little, if any, chance of winning.

Conclusion

In the City of New York during the 1968-75 period, the functional role interest arbitration assumed was not its statutory role of providing a strike substitute. Rather, interest arbitration played three roles and performed these roles mainly for smaller, less powerful unions. While this study does not attempt to weigh the past benefits gained from these functional roles against costs, it is possible on the basis of what is now known to suggest that future costs may well outweigh future benefits because of three fundamental changes that are taking place in the collective bargaining structure in New York City. These changes will greatly reduce the need for the roles that impasse arbitration has so recently played.

First, the Office of Collective Bargaining and the municipal unions are engaged in a program of reducing substantially the number of bar-

gaining units. The number of units already has declined by almost 300 since 1968, with 50 bargaining units eliminated by mergers in 1975.

Second, few new government programs that would employ thousands of new workers in new job titles are anticipated in the next several years. Thus, there will be few small bargaining units and few such units with inexperienced leadership and memberships requiring the types of support that have been provided by New York City's interest arbitration procedure.

Third, during the early stages of New York City's retrenchment process, city and union leaders have taken advantage of the availability of arbitration procedures and have relied upon arbitrators to decide basic questions concerning the legitimate functions of New York City government and the reallocation of its resources. These issues are primarily political issues, and they ought to be resolved by the political, not the third-party, process.

Changes in the current structure are necessary to strengthen the collective bargaining process and to insure that the benefits of collective bargaining mechanisms are not outweighed by costs. At the least, the present compulsory arbitration procedures should be changed to a type of final-offer arbitration. Because final-offer arbitration appears to incorporate more cost and uncertainty into the process, the functional role of final-offer arbitration is more closely related to its legislated role.

A more fundamental change would be to eliminate arbitration entirely or greatly reduce its scope. In order to eliminate arbitration, public employees must be given the right to strike, a position that is gaining wider acceptance as municipalities increasingly question the cost of labor peace. In these situations final-offer arbitration would be available to those relatively few employees whose services are deemed genuinely essential.

Union Representation Elections: Empirical Findings and Proposed Policy Changes*

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The process by which a single union is selected to represent all employees in a particular unit is crucial to the American system of collective bargaining. If a majority vote for union representation, all employees are bound by that choice and the employer is obligated to recognize and bargain with the chosen union. The selection process is controlled by the National Labor Relations Act, which applies to almost all nongovernment employees, and takes place primarily through elections conducted by the National Labor Relations Board.

Typically, union representation elections are preceded by a campaign—much like a political campaign—in which the union tries to persuade employees to vote for union representation and the employer tries to persuade them to vote against it. The Board has developed an elaborate system of rules to govern campaign tactics:

The Board has frequently stated that its objective in regulating the preelection campaign is to protect employee freedom of choice. By “freedom of choice,” the Board means the opportunity to exercise a “reasoned, untrammelled choice for or against union representation.” Board opinions assume that in a properly conducted election, employees will make a “sober and thoughtful choice” based on the arguments for and against union representation, reserving their final decision until the campaign ends.

Underlying Board regulation of union representation elections is an implicit model of the employee voter and a set of assumptions about the effect of the campaign on vote. The Board assumes that most employees know little about unions and have no firm opinions about whether or not they should vote for union representation. The preelection campaign is assumed to provide employees with facts about union representation and the arguments for and against voting union so that they can make an informed choice. If the campaign is conducted in a calm and unemotional atmosphere, referred to by the Board as “laboratory conditions,”

* This paper summarizes an eight-year study of NLRB election conduct, which the author conducted with Professor Stephen B. Goldberg of the Northwestern University School of Law and Jeanne B. Herman of the Northwestern Graduate School of Management. Portions of the study have been reported in various sources, including *The Journal of Legal Studies* (1973) and *The Stanford Law Review* (1975, 1976). The entire study is presented in Getman, Goldberg, and Herman, *Union Representation Elections: Law and Reality* (New York: Russell Sage, 1976).

the employee voter will listen carefully to the arguments of each party and make a rational decision.

Employee predispositions for or against unionization are assumed to be so tenuous and their voting decision so dependent on the campaign that if these "laboratory conditions" are disrupted, employees may vote contrary to their own best interests. The employer's threatened or actual use of his economic power is presumed to be extremely destructive to the appropriate campaign atmosphere. Because employees are economically dependent upon the employer, they are expected to interpret even ambiguous statements as threats of reprisal if they vote for the union and promises of benefit if they do not. Thus, the Board has adopted a model of employee voting behavior adapted from the political ideal, while at the same time assuming that this model can be realized in union representation elections only with governmental protection.

We recently tested the Board's assumptions in an empirical study designed to determine the effect of union and employer campaigning on employees' predispositions to vote for or against union representation. As the findings that follow demonstrate, our data about employees' voting behavior are inconsistent with the assumptions underlying Board regulations.¹

Measures

The major purpose of the initial interview was to estimate employees' union sentiments prior to the preelection campaign. Employees were asked about their attitudes toward working conditions and unions, whether they had signed a union authorization card, and how they planned to vote.

In each election we asked the union to indicate whether or not the employees whom we interviewed had signed an authorization card. Our data indicated that nearly all employees answered this sensitive question honestly.

Vote

A major purpose of the postelection interview was to find out how employees had voted. Of the 1,239 employees who completed both interviews, 90 percent disclosed their vote. The within-election samples were unbiased estimators of the election results, indicating that employees' answered the vote questions honestly.

The other major purpose of the Wave II interview was to determine

¹ A description of the methodology, the sample, and the interviewing process are set forth in Getman, Goldberg, and Herman, *Union Representation Elections*. Employees were interviewed twice, once after the direction of election and once following the election. The sample consisted of 31 representation elections which were anticipated to be ones in which there would be substantial campaigning by both parties.

employees' exposure to and recollection of the campaign. Closed-end screening questions were used to determine if the employee was exposed to a particular type of campaigning, e.g., "Did you, at any time before the election, get any letters or other written material from the Company discussing the Union or the election?" Those employees who answered "yes" were then asked for their recollection of the campaign message: "What did they say?"

Union and company campaign familiarity indices were then constructed for each employee. An employee's familiarity index is the proportion of issues in the campaign profile that he mentioned in the Wave II interview.

Unlawful Campaigning

Most unlawful campaign tactics consist of threats or acts of reprisal, or promises or grants of benefits. Two questions were included in the Wave II interview specifically to elicit reports of such unlawful campaigning. One asked whether the employer had taken or threatened harmful action against union supporters; the other asked whether the employer had given or promised benefits to employees to get them to vote against the union. If an employee answered either question affirmatively, he was asked what the employer had said or done. We determined whether or not employees perceived any unlawful reprisals or benefits by examining their responses to all Wave II open-ended questions.

In order to evaluate the Board's assumption about the effect of unlawful campaigning, it was necessary to decide whether or not unlawful campaigning had occurred. If unfair labor practice charges or objections to the election were filed and ruled upon, the official disposition of those charges was treated as determinative of the legality of the conduct involved. When charges were not filed, we made a preliminary determination, based upon the campaign materials and what the parties told us, as to whether conduct had occurred that was arguably unlawful. All arguably unlawful speech and conduct not passed upon by the Board was submitted to Melvin J. Welles, Administrative Law Judge, NLRB, who decided whether material was either unlawful or grounds on which valid objections might be based.

Of the 31 elections studied, the employer was found to have engaged in unlawful campaigning in 22. Campaign violations serious enough to warrant a bargaining order were found in nine elections. The unlawful campaign tactics resulting in bargaining orders included reprisals, benefits, interrogation, formation and domination of an employee representation committee, and attempted surveillance of union activities. Similar conduct, albeit to a lesser extent, was found in the remaining 13 unlawful elections.

The Validity of the Board's Assumptions

1. Employees are unsophisticated about unionization, so their sentiments are tenuous and easily changed by the campaign.

The data contradict the Board's assumption that employees are generally naive about union-management relationships and have no firm precampaign sentiments. Many of the employees we interviewed had first-hand experience with unions and union organization. Forty-three percent had been union members elsewhere; 30 percent had voted in a previous NLRB election. Even those without prior experience tended to have firm opinions about whether or not they wanted a union.

Employees' attitudes toward working conditions and unions strongly predisposed them to vote for or against union representation. Attitudes and intent correctly predicted the votes of 81 percent of the employees. Even authorization-card signing, which took place an average of three months before the election and, for most employees, without having heard the employer's arguments against unionization, accurately predicted the votes of 72 percent of the employees.

2. Employees are attentive to the campaign and base their decision on the parties' arguments.

Employees are not generally attentive to the campaign. The average employee remembered fewer than 10 percent of the company campaign themes and 7 percent of the union themes. Although 71 percent of the employees recalled the union issue that it could improve wages and 64 percent that it would prevent unfairness, these were both issues that were salient to employees prior to the campaign. Only 22 percent of the employees recalled union wage claims accurately.

Recall of particular employer campaign themes was also low. No issue was recalled by more than 40 percent of the employees in elections in which the issue was raised. There is no evidence that specific issues of the employer's campaign were related to vote. Employees who switched to the company were no more familiar with the company campaign than those who did not switch.

3. Reprisals and benefits will coerce union supporters into voting against union representation.

In every election studied, the employer referred to the harmful consequences of unionization and the advantages of remaining nonunion. Regardless of whether or not these statements were found by the Board to constitute threats of reprisal or promises of benefit, union supporters interpreted them in this fashion. The Board is correct in assuming that some employees will interpret ambiguous statements as threats or promises, but its judgment as to when they will do so is faulty.

The assumption that union supporters who perceive reprisals or benefits will vote for the company is not supported by the data. Employees who intended to vote union were more likely than those who intended to vote company to report unlawful campaigning by the employer, but they did not switch to the company as a result. Those union supporters who did switch reported no more unlawful campaigning than those who did not switch.

Finally, those elections in which the Board found unlawful campaigning to have taken place were not the ones in which the union's loss of support was greatest. Indeed, the unions did not lose significantly more of their initial supporters in bargaining-order elections than in elections in which the Board found no unlawful campaigning.

Recommendations

We recommend that the Board cease regulating speech and, for election purposes, nearly all conduct. Employees harmed by discriminatory grants of benefit or acts of reprisal should continue to receive the individual remedies provided by existing law. Indeed, stronger remedies should be provided as a deterrent. Such conduct should not, however, provide a basis for setting aside an election. The only basis on which objections to the election should be entertained and second elections held should be for conduct which detracts from the appearance of fairness in the election process or which interferes with union access to employees. An employer who campaigns on company premises should be required to allow union campaigning on company premises. Bargaining orders, if retained, should be triggered automatically by the conduct they are intended to deter.

There are, to be sure, arguments against substantial deregulation of the campaign. There may be some cases in which the speech and conduct we propose to leave unregulated will frighten some employees into voting against union representation who would not be frightened by presently lawful campaigning. These coerced votes, on occasion, may provide the margin by which a union loses an election it would otherwise have won. We do not believe that this risk justifies maintaining the existing system of Board regulation.

There are not likely to be many cases in which the number of votes affected by employer campaigning will be sufficient to deprive the union of a victory it would have gained under existing law. The data show clearly that union supporters perceive both reprisals and benefits whether the employer campaigns lawfully or unlawfully. They do not, however, vote against the union as a result of those perceptions. Some

employers might, absent Board regulation, be more explicit in their threats and promises, but there is no reason to suppose that explicit threats or promises will succeed in many cases where implied threats or promises do not. The failure of implied threats and promises to affect vote does not appear due to the union supporters' failure to perceive them, but to their ability to absorb those threats and promises into their cognitive systems without changing their behavior. That ability should not be affected if the employer's threats and promises become more explicit.

The possibility that continued regulation might, in some cases, protect the swing voters from coercive employer campaigning, thus preserving a union victory otherwise lost, must be weighed against the costs of continued regulation. Regulation of election campaigns has contributed substantially to the Board's increasing caseload. In fiscal 1973, objections were filed in 1138 of 9660 elections. Each objection requires an administrative investigation, which may be followed, if the objection has prima facie merit, by a trial-type hearing before an administrative law judge, an appeal to the Board, and a further appeal to the courts.

Commentators have suggested that the Board's caseload has lowered the quality of its decisions and impaired its ability to enforce the Act. The parties pay the costs of campaign regulation through the financial burden of litigating election challenges and the delay resulting from such challenges. Both are substantial. If the union wins the election, the employer's duty to bargain is, as a practical matter, suspended while he pursues his objections through the Board and the courts, a process that can consume as much as two years.

The problems associated with Board regulation of the campaign cannot be solved merely by directing the Board to exercise restraint in deciding which speech or conduct warrants setting aside an election. The data provide no evidence that particular types of speech or conduct have a generally coercive impact, and the Board possesses no tools for making impact judgments on a case-by-case basis, however stringent the standards it applies. Any regulatory system that operates on the assumption that the Board is capable of making impact judgments is inviting a continuation of the existing system, under which such judgments are either a product of untested behavioral assumptions or rationalizations for decisions reached on other grounds. We intend no attack on the competence or good faith of Board members, past or present. They have been given an impossible task and, as might be expected, have adapted themselves to the system. We recommend a system that will, at very least, relieve Board members of a task beyond the institutional competence of the Board.

Equal Opportunities for Organizational Communication

The employer who uses working time or premises to campaign against the union, and denies those facilities to the union, effectively communicates with a substantially greater proportion of the employees than does the union. The employer's advantage is primarily due to the powerful correlation between campaign familiarity and attendance at meetings. Employees who attended meetings conducted by either party were significantly more familiar with that party's campaign than employees who did not attend meetings. The employer tends to be far more successful in attracting employees to meetings on working time and premises than does the union in attracting them to meetings outside working hours and away from company premises. Eighty-three percent of the sample in this study attended company meetings, while only 36 percent attended union meetings. Furthermore, those employees who attended union meetings tended to be union supporters. The company, then, has a great advantage in communicating with the undecided and those not already committed to it.

In order for each party to have an equal opportunity to present its views, an employer who holds campaign meetings on working time and premises should be required to allow the union (or unions) to hold such meetings on working time and premises. A similar requirement should be imposed on an employer who permits supervisors to campaign against the union on company premises, whether in individual or small group meetings with employees.

An opportunity for unions to respond on company premises to anti-union campaigning on those premises is particularly important if the Board, as we recommend, is to cease regulating speech. Campaign regulation in political elections is based on the assumption that each party will be able to point out to the voters those aspects of the other party's campaign it believes to be untruthful or unfair. Unions will have that ability only if they have the opportunity to campaign on equal terms with the employer on company premises.

If these recommendations are followed, the Board's regulatory task will be lessened, yet more effective. The Board will no longer be required to rely on untested assumptions about the impact of speech or conduct. Speech will be wholly free, as in any political election. Discriminatory acts of reprisal and grants of benefits will be redressed without regard to their presumed effect. Bargaining orders, if retained, will be automatic. Unions will be assured of equal access to employees and will be able to respond in their own fashion to employer campaigning.

The Impact of Union-Negotiated Employment Security Provisions on the Manufacturing Quit Rate

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Economists working within the neo-classical framework have traditionally been uncomfortable with labor union attempts to increase the certainty of their members' job opportunities. These attempts usually have been centered around the application of the principle of seniority as a criterion for the allocation of jobs among the firms' employees and the implementation of practices that guarantee to workers some form of employment security. Although neo-classical economists studying the supply side of the labor market have been successful in reconciling the existence of nonwage employee benefits (such as seniority and employment security) with neo-classical price theory through the principle of "net advantage,"¹ this has been less true for neo-classical economists studying labor demand. To this latter group, the immobilization of labor due to nonwage employee benefits presents the possibility of a misallocation of resources. Labor, just as any other factor of production, must be free to shift or be shifted to alternate sources of employment with changes in demand and corresponding changes in relative product and factor prices. Institutions such as seniority and employment security provisions, which place barriers in the way of such movement, must be avoided.²

The suggestion has been made that seniority provisions have immobilized the workforce by imposing costs (in the form of forgone benefits) on workers who desire to leave firms where employees have seniority rights.³ Arthur Ross labeled this the "industrial feudalism" hypothesis.⁴

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¹ See, for example, Simon Rottenberg, "On Choice in Labor Markets," *Industrial and Labor Relations Review*, vol. 9 (January 1956), pp. 183-99.

² Only very recently have neo-classical economists working in the area of labor demand begun to incorporate seniority into the neo-classical model. See, for example, Ronald G. Ehrenberg, "Heterogeneous Labor, the Internal Labor Market, and the Dynamics of the Employment-Hours Decision," *Journal of Economic Theory*, vol. 3 (March 1971), pp. 85-104.

³ See, for example, Clark Kerr, "The Balkanization of Labor Markets," in *Labor Mobility and Economic Opportunity*, ed. E. Wight Bakke (New York: Wiley, 1954), pp. 92-110.

⁴ Arthur Ross, "Do We Have a New Industrial Feudalism?" *American Economic Review*, vol. 48 (December 1958), pp. 903-20.

The implication is that the strength of seniority provisions should have a negative impact on the quit rate.

If this is true, then one would also expect union-negotiated employment security provisions to have a negative impact on the quit rate. These provisions increase the certainty of the workers' income stream above what it would be in the absence of these provisions. Therefore, the presence of these provisions imposes additional costs of quitting on the covered worker. Whether or not this "modified" industrial feudalism hypothesis is indeed true is the subject of this paper.

It should be observed that this paper is part of a larger study of the impact of union-negotiated seniority and employment security provisions on labor mobility and labor turnover. Economists have generally limited their studies of the impact of unionization to the effects of unions on wage levels and wage differentials. Nonwage benefits, however, have seldom been examined. This is unfortunate, for scholars in the field of labor relations have long known that equally, if not more, important than the wage effects of unions is the impact of unions on management rights and the attempt by unions to bring justice and equity to the workplace. In a larger sense, then, this paper is an attempt to operationalize nonwage collective bargaining outcomes and to expand the universe of measurable variables available to researchers in the fields of labor relations and labor economics.⁵

The Employment Security Measure

Employment, in its most basic sense, is a means of acquiring income. Looked at in this manner, employment security provisions are designed to increase the certainty of the employees' income stream, i.e., to protect employees' income from short-run variations in the demand for labor. In the absence of employment security provisions, these variations in labor demand would manifest themselves in employer decisions to reduce their workforces. Thus, in order to be classified as an employment security provision, a provision must satisfy three interrelated criteria: (1) it must increase the certainty of the employees' income stream; (2) it must mitigate the employment (or income) reducing effects of a reduction in the firm's demand for bargaining unit labor;⁶ and (3) it must reduce the employer's area of discretionary decision-making with respect to decreasing its bargaining unit workforce.

⁵ For a previous attempt at operationalizing private sector nonwage bargaining outcomes, see Thomas A. Kochan and Richard N. Block, "An Inter-Industry Analysis of Bargaining Outcomes: Preliminary Evidence from 2-Digit Industries," *Quarterly Journal of Economics* (forthcoming).

⁶ Although criteria (1) and (2) will overlap in most circumstances, they are analytically distinct. Pensions, for example, satisfy criterion (1) but not criterion (2).

Provisions that the Bureau of Labor Statistics classified as job security provisions in its Bulletin 1784 meet these criteria and will be classified as employment security provisions. These are limitations on subcontracting, slack work provisions, training and retraining provisions for interplant or interfirm transfer.⁷ Under the assumption that the major function of employment is the acquisition of income, wage-employment guarantees and supplemental unemployment benefit plans will also be classified as employment security provisions. Although these provisions do not have an impact on the amount of work available to the employees, they do meet the three criteria.

In order to operationalize the strength of union-negotiated employment security provisions, an ordinal scaling was constructed. Values were assigned to each provision by assigning to the weakest provision (from the union point of view) a score of zero, and to the strongest provision, a score of 10. Provisions of intermediate values were scored in accordance with the number of provisions in the subindex.

Following the provision valuations, a score for each component was obtained by summing the provision scores and dividing by the number of workers covered by the agreements. The sum of the component scores yielded the employment security index.⁸ Finally, the index score was multiplied by an estimate of the percentage of the industry's employees covered by collective bargaining agreements.⁹ This will proxy the probability of any particular employee being affected by these provisions.

Data for the job security index were obtained from the Bureau of Labor Statistics 1425 series of bulletins that described and tabulated characteristics of major collective bargaining agreements during the period 1961-71. Data in these bulletins were obtained from the Bureau's file of agreements covering 1,000 or more workers. Thus the terms and conditions of employment in the large firms are being used to proxy the terms and conditions of employment in the industry.

The analysis makes three assumptions that should be noted. The first concerns the relative weights accorded to the portions of the measure. All components of the employment security measure have been assumed to have equal weight. While this weighting scheme, which contains the implicit assumption that all contract provisions are of equal importance both within and between industries, is certainly arbitrary, any other weighting scheme would be equally arbitrary.

⁷ U.S. Bureau of Labor Statistics, *Characteristics of Collective Bargaining Covering 1,000 Workers or More, July 1, 1972*, Bull. 1784 (Washington: U.S. Government Printing Office, 1973), p. 57.

⁸ Space limitations prevent a listing of the provisions and their associated index scores. Such a listing is available on request.

⁹ Data obtained from H. M. Douty, "Collective Bargaining Coverage in Factory Employment, 1958," *Monthly Labor Review*, vol. 83 (April 1960), pp. 345-49.

Furthermore, even an admittedly imperfect weighting scheme is an improvement on the usual measure of union strength utilized—the percentage of the industry's employment covered by collective bargaining agreements. This measure is really a proxy for the elasticity of substitution between union and nonunion labor. At best, it is a measure of potential union power. It gives no indication, however, of the manner in which unions utilize that hypothetical power.

The second assumption is that the rankings of the industries on the job security index did not change over the 1961–72 period. In the absence of such an assumption, one would be unable to relate an independent variable containing 1972 data to a dependent variable that may contain data from as early as 1961.

This assumption of invariant rankings is not as extreme as it may seem. The data on which the index is based are taken from agreements covering 1,000 or more workers. Thus, the data source is stable collective bargaining relationships that are likely to have settled most of the main terms and conditions of employment during the war or immediate postwar period when the private sector collective bargaining system in the U.S. grew to maturity. It is therefore unlikely that there were substantial changes in rankings during the period.

The third assumption concerns the use of BLS's agreements file as a proxy for all agreements in the industry. Because the Bureau keeps records only of agreements covering 1,000 or more workers, these agreements are likely to be in relatively large firms that are generally found in relatively concentrated industries. Because there are empirical as well as theoretical reasons for believing that concentrated industries have better overall bargaining outcomes,¹⁰ there is likely to be an upward bias in the sample measures relative to the population measures. Although this upward bias is unavoidable due to data limitations, the caveat should be noted.

The Analysis

EMPLOYMENT SECURITY MEASURE AND SUBMEASURE RESULTS

The chief methodological tool to be used will be regression analysis. Unlike most regression analyses, however, the emphasis will not be on the prediction of the dependent variable. Rather, we are most interested

¹⁰ See Vladimir Stoikov and Robert L. Raimon, "Determinants of the Differences in the Quit Rate Among Industries," *American Economic Review*, vol. 58 (December 1968), pp. 1283–98; Harold M. Levinson, "Unionism, Concentration, and Wage Changes: Toward a Unified Theory," *Industrial and Labor Relations Review*, vol. 20 (January 1967), pp. 198–205; and Daniel S. Hamermesh, "Market Power and Wage Inflation," *Southern Economic Journal*, vol. 39 (October 1972), pp. 204–21. For evidence of a positive relationship between concentration and nonwage outcomes, see Kochan and Block.

in the sign of the coefficient on the relevant employment security measure, the significance of that coefficient (the t -ratio), and the contribution of the measure to the explanation of the variation in the dependent variable (the change in the R^2 associated with the independent variable).

Despite the difference in emphasis, however, this analysis will be typical of earlier quit analyses.¹¹ It will be based on the idea of utility maximization, i.e., a worker will quit his present job if the total net advantage from moving is positive. If workers value the certainty (as distinct from the level) of income, then the increase in certainty associated with strong employment security provisions should reduce quits in these industries.

Because employment security provisions do not operate in a *ceteris paribus* world, it was necessary to control for the influence of other variables on the quit rate. Therefore, included in the analysis were two variables that measured the characteristics of the industry—hourly earnings and the percentage of the industry's employment in urban areas. In addition, there were measures that controlled for the characteristics of the industry's labor force—median years of schooling in the industry, the percentage of the industry's employment that was nonwhite, the percentage female, the median age of the industry's workforce, and the mean weekly hours and yearly weeks worked by the industry's workforce.¹² Data for all variables were obtained from the BLS for the period 1961–72 and from the Census for 1960 and 1970.

Because of data limitations, the analysis will be confined to manufacturing industries at the 2-digit level. In addition, limitations imposed by the number of observations place constraints on the maximum number of independent variables that can be included in an estimation of any particular submodel. With this in mind, the actual estimating model is:

$$(1) \quad Q_i = \alpha + \beta_1 IC_i + \beta_2 LS_i + \beta_3 ES_i + e$$

where Q_i = the mean monthly quit rate for industry i for the period 1961–72; IC_i = one of the two industry characteristic variables (either mean hourly earnings or the percent of the industry's employees in urban areas) associated with industry i ; LS_i = one of the five labor force characteristic variables (education, percent nonwhite, percent female, age, or weeks/hours worked) associated with industry i ; ES_i = either

¹¹ See, for example, John H. Pencavel, *An Analysis of the Quit Rate in American Manufacturing* (Princeton, N.J.: Princeton University, 1970).

¹² The suggestion here is that the greater the weekly hours or yearly weeks worked in the industry, the faster the industry's workforce is acquiring firm-specific human capital. See Farrell E. Bloch, "An Analysis of Quit and Layoff Rates in U.S. Manufacturing Industries," Working Paper No. 76, Industrial Relations Section, Princeton University, August 1975.

the total *ES* measure or one of the provision submeasures associated with industry *i*; and e = an error term.

Thus, for purposes of expository clarity and sample size, for each of the equations the relevant *ES* measure or provision submeasure was examined in conjunction with an industry characteristic variable and a labor force variable. While this might not be an ideal methodology if one were interested in predicting quit rates, our main concern is the behavior of the *ES* measure and provisions submeasures when controlling for various combinations of other variables.

Given this, then, the first step in the analysis was to run a series of rank order correlations between the job security measure and component submeasures on one hand, and the quit rate on the other. Of these, the coefficients on the employment security measure and the subcontracting, training-retraining, work rule, plant movement, and interplant transfer submeasures were negative and significantly different from zero at the .05 level. Therefore, these measures and submeasures were included in the analysis.

Tables 1 and 2 summarize the results from the multiple regressions. These results are the means for the six regression equations that contained each of the noted employment security measures and submeasures. As can be seen, the results are broadly consistent with the industrial feudalism hypothesis. The two most striking results are the instability of the standardized regression coefficients and *t*-ratios and the relative constancy of the signs and of the R^2 associated with the *ES* measure and component submeasures. The coefficients are generally negative, as predicted. The mean coefficients range from five times their standard deviation (for the subcontracting provisions submeasure in the percent urban equation) to approximately one-seventh their standard deviations (the subcontracting submeasure in the hourly earnings equations). Similar variation can be found when examining the dispersions of the mean *t*-ratios. However, the mean R^2 is approximately the same across both sets of equations, indicating that a consistent portion of the variation in quit rates can be explained by variations in the strength of employment security provisions.

Generally, it appears that the results for the measures and submeasures are more consistent with the a priori hypothesis in the equations with percent urban than in the equations with hourly earnings. The coefficients are generally larger and always have the expected negative sign in the percent urban equations. In addition, the *t*-ratios are generally higher and the mean β -coefficients slightly less dispersed.

Thus the size and significance of the employment security measures and submeasures appear to be influenced by the presence or absence

TABLE 1
Summary of Results of Regressions Using Hourly Earnings
D. F. = 17

Mean	Mean β Coefficient	Mean <i>t</i> - Ratio	Mean ΔR^2	No. of Times Coefficient Negative
Employment security measure	-.02 (.062)	.28 (.368)	.26 (.045)	4
Subcontracting submeasure	-.01 (.07)	.31 (.308)	.22 (.039)	4
Training-retraining submeasure	.16 (.0435)	.82 (.29)	.33 (.156)	0
Work rule submeasure	-.07 (.029)	.33 (.156)	.40 (.06)	6
Plant movement submeasure	.01 (.062)	.31 (.287)	.18 (.027)	3
Interplant transfer dummy	-.12 (.103)	.73 (.415)	.35 (.08)	6
n ^a	6	6	6	
Percent of signs negative				64%

Notes: Standard deviations in parentheses. None of the coefficients is significant at the .05 level.

^a The number of equations used to compute mean values.

TABLE 2
Summary of Results of Regression Using Percentage of Employees in Urban Areas
D. F. = 14

	Mean β Coefficient	Mean <i>t</i> - Ratio	Mean ΔR^2	No. of Times Coefficient Negative
Employment security measure	-.16 (.096)	.97 (.73)	.27 (.10)	6
Subcontracting submeasure	-.22 (.046)	1.51 (.576)	.25 (.09)	6
Training-retraining submeasure	-.14 (.082)	.77 (.412)	.37 (.16)	6
Work rule submeasure	-.06 (.19)	.52 (.293)	.33 (.15)	3
Plant movement submeasure	-.07 (.12)	.63 (.72)	.20 (.07)	5
Interplant transfer dummy	-.27 (.102)	1.93 (.685)	.33 (.144)	6
n ^a	6	6	6	
Percentage of signs negative				89%

Note: None of the coefficients is significant at the .05 level.

^a The number of equations used to compute mean values.

of earnings variable. This is not surprising when one considers that the correlations between hourly earnings and the included employment security measures and submeasures range from .49 to .78. There is positive collinearity between the two sets of variables, and one is unable to separate out the effects of hourly earnings and the employment security provisions on quits.

INTERACTION RESULTS

Although one is unable to distinguish between the impacts of the hourly earnings and employment security measures, one can at least separate out the combined effect of these two variables from the labor force variables. Thus, interaction terms were constructed by multiplying the hourly earnings variables by the *ES* measure and the provision submeasures. The quit rate was then regressed on this interaction term and schooling, which seems to be the best of all labor force variables in explaining quits. The following regression was estimated:

$$(2) \quad Q = \alpha_3 + \phi_1 T + \phi_2 S + e$$

where *T* = an interaction term obtained by multiplying mean hourly earnings, 1961-72, by each employment security measure or submeasure, and *Q*, *S*, and *e* denote the same variables as in (1). The results are presented in Table 3.

As can be seen, although the schooling variable is far stronger than the interaction variable, all the interaction coefficients except the one that includes the training and retraining provision are of the expected sign and significant at the .05 level. The results imply that while earnings and the employment security provisions have some impact on quits,

TABLE 3
Results for Wage-Employment Security Interaction Regressions
D. F. = 17

	ϕ_1^a	$t\phi_1$	ΔR^2 ϕ_1	ϕ_2	$t\phi_2$	ΔR^2 ϕ_2	R^2
Employment security measure-earnings interaction	-.32	2.67*	-.08	-.67	5.2**	.66	.74
Subcontracting submeasure- earnings interaction	-.32	2.50*	.08	-.66	5.2**	.66	.74
Training- retraining- earnings interaction	-.15	0.85	.01	-.71	3.89**	.66	.67
Work rule submeasure- earnings interaction	-.36	2.23*	.07	-.58	3.67**	.66	.73
Plant movement submeasure- earnings interaction	-.30	2.16*	.07	-.67	4.78**	.66	.73
Interplant transfer dummy-earnings interaction	-.36	2.87*	.39	-.67	5.36**	.37	.76

^a For ϕ_1 and ϕ_2 , the β coefficients are shown.

* Significant at .05 level; ** significant at .01 level.

their influence is much smaller than that of schooling. For whatever reasons, people with more schooling have lower quit rates. The inference that may be drawn is that they have little reason to quit. But since the correlation between the earnings-employment security interactions and schooling is only in the area of .5, there must be other influences that induce educated workers to stay at their jobs. Possibly the dual labor market literature with its discussion of feedback effects provides some insight into the problem.¹³

Conclusion

It appears that union-negotiated employment security provisions have a noticeable but not substantial impact on quits. While the regression coefficients and *t*-ratios drop precipitously in the presence of hourly earnings, the change in the coefficient of determination associated with the employment security provisions generally remains stable.

The results for the interaction regressions support the conclusion of at least a small impact of employment security provisions on quits. These results generate the interpretation that employment security provisions may reinforce the quit-inhibiting tendencies that already exist in the presence of high wages and large amounts of schooling. All in all, it can be concluded that the certainty of a worker's income stream does have at least a small impact on his or her propensity to quit.

More generally, the results suggest that workers are influenced by the entire set of benefits with which they are provided. While wage rates are important, their influence can be reinforced (or possibly reduced) by the influence of union-negotiated job security provisions. By failing to take into account nonwage influences on worker behavior, scholars doing quantitative research in the field of labor relations and labor economics may tend to overestimate the influence of earnings on worker behavior.

¹³ See, for example, David M. Gordon, *Theories of Poverty and Unemployment* (Lexington, Mass.: D. C. Heath, 1972), and Michael J. Piore, "Notes for a Theory of Labor Market Stratification," in *Labor Market Segmentation*, eds. Richard C. Edwards, Michael Reich, and David M. Gordon (Lexington, Mass.: D. C. Heath, 1975), pp. 125-50.

X. AN EVALUATION OF THE INTER-UNIVERSITY STUDY OF HUMAN RESOURCES IN NATIONAL DEVELOPMENT

Industrialism and Industrial Man in Retrospect: A Preliminary Analysis

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Professor Irving Bernstein placed me in his debt by arranging this session. It will probably prove more valuable to me than to the other members of the panel or to the audience. I am in the *middle* of what should be a rather thorough sociology-of-science exercise focused on the support of economic research by the Ford Foundation, with special reference to the Inter-University Study of Labor Problems and Economic Development (later designated as the Inter-University Study of Human Resources in National Development)—the collaboration led by Clark Kerr, John T. Dunlop, Frederick H. Harbison, and Charles A. Myers.² The word “preliminary” in the title of my paper is underscored; I am at a stage where comments and criticism are extremely helpful. I hope to profit from your comments either during or after this session and from comments by readers of the *Proceedings*. I have been getting a great deal of help on this project from labor economists and industrial relations specialists from around the world. This session is an opportunity to call attention to my project to an even wider audience. If you have any suggestions concerning portions of the literature I should be reading, parallel projects I should be exploring, or any reactions to papers and

¹The study upon which this preliminary paper is based received financial support from the Ford Foundation. The author is grateful for this support. The conclusions, opinions, and other statements in this paper are those of the author and are not necessarily those of the Ford Foundation.

The author is grateful to Charles A. Myers, Melvin Reder, Max M. Schreiber, and C. Glyn Williams for comments on an earlier draft. They are not responsible, of course, for any remaining errors of fact or judgment.

²For brevity, the four principals in the Inter-University Study will be referred to as KDHM. No one in this audience will follow the example of one of my students and confuse the Study's four senior collaborators with a 50,000-Watt radio station in Bogalusa, Louisiana.

books supported by the Inter-University Study, I would be grateful if you would share them with me.

Doing a retrospective of this sort, in which one must go back to labor economics and industrial relations research well before World War II to pick up the origins of various strands of the story, makes me sensitive to a Samuelson *obiter dictum*: "For make no mistake about it: to every economist of the present generation, mathematics presents a psychological problem. Each meets this problem in his own way. Some sublimate their feelings and transfer from economic theory into the area of history of doctrines or . . . labor economics. Others wrestle with the devil and pass sleepy weekends browsing and rebrowsing through the early chapters R. G. D. Allen's invaluable handbook."³ Samuelson's rather patronizing observation included the history of doctrines *and* labor economics as places of refuge for those of us who by choice or by necessity have never mastered the mysteries of lemmas or existence theorems. My present task has the unfortunate distinction of being both history of doctrines and labor economics. I am doubly damned.

In early 1975, a *Final Report* was published by the Inter-University Study. On March 31, copies of the *Final Report* were delivered to the Ford Foundation by Kerr and Harbison, who were received by David E. Bell, in McGeorge Bundy's absence. Bell, executive vice president of the Foundation, wrote a two-page summary of the meeting for Bundy. Bell observed that "it would be interesting to have a retrospective evaluation of this broad-ranging and eclectic Study. It was an early and apparently productive effort to analyze 'comparative systems' in historical and evolutionary terms. The intent has a very contemporary ring, and the final report includes some interesting observations about which of their initial conclusions still stand and which they have found it necessary to modify."⁴ During the summer of 1975, a decision was made to pursue the retrospective.

After being approached to do the retrospective, my initial task was to learn about the Study as a research institution. The Study was the creation of the four men who formed a Board. Financial support was provided by the Ford Foundation and the Carnegie Corporation:

1952	FF	\$ 80,000	"research planning grant"
1954	FF	\$475,000	three-year grant "for studies of labor as a factor in economic development"

³ Paul A. Samuelson, "Some Psychological Aspects of Mathematics and Economics," *Review of Economics and Statistics*, vol. 36 (August 1954), p. 380.

⁴ Bell to Bundy, April 2, 1975, "Visitation by Clark Kerr and Fred Harbison," PA 61-239, The Ford Foundation, New York.

1955-56	FF	\$ 50,000	two supplementary grants for a "special study of management and labor problems in the Middle East petroleum industry"
1960	CC	\$200,000	"role of education and high-level manpower in the modernization process"
1961	FF	\$250,000	terminal grant, "human resources in industrializing countries"

Additional financial support was provided by other institutions, particularly the industrial relations research centers with which the principal investigators were affiliated.

The 1975 *Final Report* is a brief overview of a research effort spanning almost three decades. In varying degrees, the Inter-University Study has directly shaped and supported the work of nearly 100 persons. It has sponsored over ten conferences and has resulted in the production of about 40 books and 50 papers. It has helped define the present shape of labor (1) as a subdiscipline of economics, (2) as the independent area of industrial relations, and (3) as an increasingly important area of inquiry for sociologists.

The roots of this extraordinary effort can be found in the reaction of the four members of the Board to received economic doctrine in their major area of interest, labor economics, which at the time was a far broader academic area than it has now become. A few years after World War II, KDHM discovered that they were mutually dissatisfied with existing theories of the labor movement. KDHM viewed the "job control" unionism of Selig Perlman and John R. Commons as too specific to the U.S. experience and the approach of the Webbs as too specific to the British. KDHM wanted to eliminate some of the ethnocentrism of American labor economics. Their interests went beyond labor, particularly as the collaboration progressed. Just as they found most of Marx's views on the labor movement to have been historically wrong, they found economics in general to be overly oriented to the middle-class, capitalist model of successful industrialization. Elegantly finessing the nettlesome issue of private property, KDHM considered the proper study of labor to be study of industrialization, not capitalism. The object of their inquiry was (analytical) industrialism rather than (historical) capitalism, a distinction which many others, e.g., Ralf Dahrendorf, have found useful. And the key to labor in the industrialization process in developed as well as developing countries is not worker

protest against capitalism but rather the effective commitment of a labor force under a "web of rules." As Dunlop put it in his well-known *Industrial Relations Systems* (1958), labor economics needed an "analytical framework" which would permit it to be released "from the pre-occupation, if not the obsession, with labor peace and warfare." KDHM, best known collectively for their *Industrialism and Industrial Man* (1960), stressed certain necessary concomitants of industrialization, such as the emergence of elites, tripartite industrial relations systems (with the state as an increasingly influential participant) and, over time, an expected convergence of industrialized systems. In short, KDHM attempted to broaden the narrow foundation of experience upon which they thought received doctrine had been based.

The objective of this retrospective is to explore the origins, operation, literature, and impact of this Study and related activities. The results of this exploration will be discussed within the dual contexts of (1) the general history of related Ford Foundation support for economic research during the Inter-University Study collaboration, and (2) the dramatic transformation of the study of labor since World War II.

I want to take the liberty at this point of introducing the outline of the monograph being produced by this retrospective exploration. After presenting an introductory overview, to give an indication of the nature and scope of this particular collaboration, I will pursue the general topic of the state of labor economics and industrial relations research *before* 1950, that is, before the Inter-University Study was established. This particular chapter in my retrospective has two purposes. First, I want to provide a summary of the development of labor economics and industrial relations research through the period immediately after World War II. This summary is focused on "theories of labor movements" and labor's relationship to the process of industrialization rather than, say, the distributive questions of wage theory. Second, I want to summarize the extent of monographic or comparative international economics studies produced during this period. The English language literature of the 1920s and 1930s appears to reflect the U.S. preoccupation with Latin America and the British interest in India. A systematic sifting through the articles in the *American Economic Review*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Economic Journal*, *Industrial and Labor Relations Review*, and the *American Federationist* has yielded a great deal of relevant literature for this particular chapter of my retrospective.

A number of institutional aspects of this earlier period need to be developed in some detail. For example, the "participation of labor" in securing the land-grant colleges and the service performed by these institu-

tions to labor is explored. I also discuss the “deprovincialization” which had occurred between the two world wars as a result of migration from Europe (e.g., Selig Perlman), Americans working or traveling abroad (e.g., Clark Warburton and E. W. Kemmerer), and Americans looking abroad (e.g., Marjorie Ruth Clark). I also discuss the early years of the SSRC’s Committee on Labor Market Research (1943–56), a lineal descendant of the Committee on Social Security (1935–43). I also introduce the Wertheim Fellowship publications. That is, I explore the origins and results of Jacob Wertheim’s gift to Harvard University in 1923 for promotion of the field of industrial cooperation. Another interesting committee is the Labor Committee of the Twentieth Century Fund, formed in 1933 and which lasted through the late 1940s. The early activities of the prewar industrial relations centers, such as the ones at Princeton, Michigan, and MIT are also explored. The National Planning Association effort of individual case studies on “Causes of Industrial Peace” is an important immediate precursor to the KDHM collaboration. The role of Sumner Slichter in the development of American labor economics is investigated. This chapter includes an overview of our present understanding of the influence of the German Historical School on American economics—on labor economics in particular. The reader is given some background on labor aspects of postwar U.S. occupation policies in Italy, Germany, and Japan. There are many additional lines of inquiry, such as an investigation of the charge that “labor people” were “bought off” by the American Economic Association; Edwin Witte was made AEA president and the labor people broke off, forming the Industrial Relations Research Association. I would, of course, be very grateful for any advice and/or information related to this early period. Any leads which you think should be followed to round out my introduction to the nature and scope of labor economics and industrial relations research before 1950 would be greatly appreciated.

Following this introduction to received doctrine, I take up the development of the Ford Foundation in the late 1940s and early 1950s, when a relatively obscure institution begun in 1936 with an initial gift of \$25,000 became the richest foundation in the world. Particular attention is placed on the creation of an economics program, with special reference to the KDHM proposal. These subjects are the ones I know best since my research and writing about them is more or less complete. However, I suspect that you are less interested in the early inner workings of the Ford Foundation than you are in the immediate question of results of KDHM’s collaboration, so I will resist the temptation to discuss this Ford Foundation material here. I should point out, however, that the research proposal from KDHM was initially rejected. The Ford Founda-

tion as we know it today, with its world-wide clientele, was being formed in the late 1940s and early 1950s, following the resolution of issues surrounding the estates of Henry Ford and his son Edsel. In the summer of 1951, when KDHM first approached the Foundation, its economics program was leaderless, and other aspects of its programs were in a somewhat chaotic state. KDHM persevered. They resubmitted their proposal, with some modifications, and it fell on much more fertile and much more organized ground. In the summer of 1952, the Ford Foundation approved a research planning grant. Approval of the basic three-year grant followed in February 1954. In 1952, leadership of the economic side of the Foundation effort was provided by Richard M. Bissell, Jr. During 1954, Thomas H. Carroll, who had been Dean of the Business School at the University of North Carolina and who had helped prepare the so-called Gaither Report (1949) on policies and programs for the Foundation, took charge of the economic side of the Foundation. Both Bissell in 1952 and Carroll in 1954 were highly receptive to the proposal and to its authors. As an aside, I might point out that the archival record provides remarkably explicit evidence of the "crowding out" of related projects by the initial commitment to KDHM. A brief survey of these projects and their eventual disposition should be an interesting way to get some qualitative evidence about the opportunity cost of the commitment.

The next chapter in this retrospective is a chronological review of the collaboration from the early days following the Ford Foundation's approval of KDHM's "research planning grant" to the present. The literature, conferences, internal memoranda, and recollections of the participants is woven into a narrative. Care is taken to catch the turning of the project from industrialization and labor in general toward industrialization and high-level manpower. Other relevant, parallel activities of KDHM and the Ford Foundation are discussed. The work supported by the Carnegie Corporation is given thorough treatment in this chapter, particularly the contributions of Harbison and Myers to the issues of education, high-level manpower, and economic growth. Emphasis is on what was published as well as not published and how the published material was received at the time, as reflected by contemporary reviews.

The next chapter deals with the core, thematic work of the Inter-University Study. This chapter is focused on the primary document of the collaboration, *Industrialism and Industrial Man* (1960) as well as its earlier and later variants beginning with the Kerr-Siegel paper (read at Cornell in November 1953) and ending with the *Final Report* of 1975 and the work on "convergence" (which continues today). This work

is placed in its proper generic context, as part of the literature offering the reader a bold vision of *The Process of Economic Progress*. As noted above, KDHM attempted to address themselves to industrialism rather than capitalism. (Whether or not they in fact succeeded in doing so is one of the topics of this chapter.) The discussion in this chapter includes the literature which is *directly* focused on KDHM's theme in either a critical or interpretive fashion, such as the following five items:

Reinhard Bendix, "Tradition and Modernity Reconsidered," Chapter 11 in *Embattled Reason* (New York: Oxford, 1970), pp. 250-314.

Roy Haddon, "Foreword" to the Penguin edition of *Industrialism and Industrial Man* (1973), pp. 1-27.

Solomon B. Levine, "Our Future Industrial Society: A Global Vision," *Industrial and Labor Relations Review*, vol. 14 (July 1961), pp. 548-55.

Russell A. Smith *et al.*, "Panel Discussion on Industrialism and Industrial Man," IRRA Spring Meeting, *Labor Law Journal* (July 1962), pp. 575-90.

Malcolm Warner, "Industrial Conflict Revisited," Chapter 10 in *The Sociology of the Workplace* ed. Malcolm Warner (London: George Allen and Unwin, 1973), pp. 256-73.

The last two chapters of this retrospective deal with KDHM and the study of labor, both in the United States and abroad. The purpose of these two chapters is to provide a clear picture of the study of labor (and related Inter-University topics of interest) from 1950 to the present. They are based on extensive correspondence, surveys, interviews, colloquia, and reviews of various literatures, including dissertations. The first of the two chapters will be devoted to general effects of the Study (with special reference to U.S. experience). The purpose of the second of these two chapters is to provide an overview of the Inter-University Study's influence abroad. Of course, the Study's primary mission was to eliminate some of the ethnocentrism of *American* labor economics and industrial relations research. And it succeeded. But the Study has certainly and not unexpectedly been influential beyond the United States. It may be that the Study has had more impact beyond the United States than inside, perhaps as a result of a greater interest in ideology abroad. It is expected that four countries will be investigated in detail: India, Japan, Nigeria, and the United Kingdom. In the first of these two concluding chapters, many lines of criticism and evaluation of the Inter-University Study are considered. I want to conclude this preliminary paper by mentioning a few of them.

One common theme in critical discussion of KDHM's *Industrialism and Industrial Man* is that comparative studies of "modernization" necessarily rely on the Western experience when the developmental sequences are constructed. Reinhard Bendix offers the following observations:

In their book, *Industrialism and Industrial Man*, Clark Kerr and his associates explicitly emphasize that the "logic of industrialism" they have constructed involves abstractions on the assumption that the "transition stage of industrialization" has passed. Indeed, they emphasize that tendencies *deductively* arrived at (albeit by illustrative reference to the experience of "developed" societies) are not likely to be fully realized in the *actual* course of history. Yet, throughout the volume phrases recur which betray a confusion between these two levels of analysis. On the same page tendencies are alternately called logically constructed and inherent (33-34), emphasis on the contrast between abstraction and history is followed by the assertion that "the empire of industrialism will embrace the whole world" (46), industrialization is called an "invincible process," while the uncertainties of the future are relegated to variations of length and difficulty in the transition or to the several types of past industrializations (19-20, 47 ff.). Perhaps the most arresting feature of this deterministic view of the future is that the "industrialism" of the whole world is predicated, not on the organization of production as in Marx, but on the initiating or manipulating actions of five different elites whose capacity to "industrialize" whole societies is simply assumed. Exceptions, delays, and what not are seen as deviations which "cannot prevent the transformation in the long run," while neither the possibility of failure nor that of unprecedented types of industrialization is given serious consideration. Seldom has social change been interpreted in so managerial a fashion, while all contingencies of action are treated as mere historical variations which cannot alter the "logic of industrialism." Though the recognition of alternate routes to industrialization is a distinct improvement over the unilinear evolutionism of the study by Lerner, the authors abandon the gain they have made when they predict one system of industrialism for all societies in much the same way as Marx predicted the end of class struggles and of history for the socialist society of the future.⁵

Interestingly enough, on page 42 of their 1975 *Final Report*, KDHM are gloomy about "nearly insurmountable" barriers to industrialization in some countries. They note that formal education and intellectuals may have a more negative impact on industrialization than they would

⁵ Bendix, *Embattled Reason*, pp. 273-74.

have thought a few decades ago. The process of industrialization is costly, subject to discontinuities and based on a value system which is "now rightly more suspect." These are substantive changes from the optimism and self-belief one finds in *Industrialism and Industrial Man*, published 15 years earlier.

Neil W. Chamberlain's review of *Industrialism and Industrial Man* in the June 1961 *American Economic Review* appears to represent a widely accepted point of view. A remarkably large number of correspondents have used the following sentence when writing to me about KDHM: "Chamberlain hit the nail on the head."

A framework of analysis and an approach to a denationalized understanding of industrial relationships is here, but I have searched in vain for the theory. The book is long on categories and classifications and impressionistic observations, but it is short on analysis. It is perhaps best described as a latter-day descendant of the 19th century German school of economic history, whose hallmark was a literary exposition of the transition from one idealized state of economic development to another.

Chamberlain's criticism is based on KDHM's assertion that "the leadership of the industrialization process," that is, "the initiators, the manipulators, the prime movers," can be divided into five ideal types: dynastic elite, middle class, revolutionary intellectuals, colonial administrators, and nationalist leaders. *Industrialism and Industrial Man* is built on the foundation of a number of tables obtained by juxtaposing these leadership types against other categories. For example, juxtaposition of the five elites against six "Pre-existing Cultural Traits" yields a table consisting of 30 cells. In all, there are over 300 of these cells in the various tables. This taxonomic methodology has strengths but suffers from some weaknesses as well. For example, in what sense can it be tested? It is interesting to compare this approach with that of the SSRC's Committee on Comparative Politics (1954-70), i.e., James S. Coleman, Lucien W. Pye, Gabriel Almond, *et al.*

In an interview on May 21, 1976, Gary Becker pointed out that regardless of the merits of the Inter-University Study's output, it was "individualistic research; there was no duplicable research methodology." This same type of observation can be made about much of the German Historical School's work as well as that of the American institutionalists. The work is to some extent duplicable. Schmoller's monograph on the clothiers' and weavers' craft of Strassburg certainly became a model, a "programmatic setting," for the practice of normal science. Myers' *India* book as well as the Harbison-Myers *Manpower* work, for example, were programmatic to a degree. But could they provide a broad foun-

dition for a *large* number of researchers to earn livings as economists? Others, e.g., T. W. Schultz, have seemed to have provided more successful paradigms. It is certainly not difficult in 1976 to make a case for a Chicago hegemony in the study of labor since so much of today's work has been shaped by T. W. Schultz, Gary Becker, H. Gregg Lewis, Albert Rees, along with their colleagues and students.⁶

The nature and scope of "labor articles" in the AER, ILRR, JPE, and QJE have changed substantially in the past 30 years. *How has the Inter-University Study fit into that change?* Is it possible that this change is largely due to the availability of computer services, at low user cost, coupled with the parallel development of national data sets to be worked over by cadres of low (user) cost graduate students? Who made the decisions to support the creation of these data sets? Why?

Melvin Reder offered the observation that one cause for KDHM not being a major part of the American scholarly literature today is due to the decline in the labor union content of labor economics. "The economics profession has always contained a substantial number of reformers. In the 1930s, and earlier, this contingent was strongly attracted to problems associated with unionism and collective bargaining. But in the 1960s and 1970s, this fraction of the profession has focussed upon other problems such as 'poverty' and 'discrimination.' These problems are only tangentially related to collective bargaining. The attention of economist-reformers is now directed to problems other than collective bargaining, which was the focus of KDHM. Indeed, recent economist-reformers have been indifferent or downright hostile to labor unions when the latter are perceived as a source of economic privilege for their members. As a result, the original constituency of KDHM has largely disappeared. Analytical labor economists do not ask the questions of KDHM or appreciate their methods."⁷

While labor unions may not be fashionable objects of inquiry among recent generations of labor economists, it is interesting to note that some of the more traditional workers in the labor area are among KDHM's harshest critics. Their criticism generally seems to be a variant of the following: "The thesis and books represented a positivistic philosophy of elitism which was basically at variance with the nature of the interest in industrial relations. We did not create the discipline for the purpose of identifying the elite and assigning to them the authority of shaping industrial relations."⁸

⁶ See, for example, the supplemental "Essays in Honor of H. Gregg Lewis," *Journal of Political Economy*, vol. 84 (August 1976).

⁷ Interview with the author, University of Chicago, May 21, 1976, as modified in a letter to the author, August 16, 1976.

⁸ Solomon Barkin, letter to the author, April 4, 1976.

One purpose of this retrospective is to give an overview of the influence of the Inter-University Study on academic teaching in the United States. The various areas where the work of KDHM and their colleagues may have had an impact are being surveyed. Some labor textbooks *do* contain substantial coverage of KDHM, e.g., Marshall, Cartter, and King as well as those of Richard Freeman and Lloyd Reynolds. But certainly labor economics at the graduate level has increasingly become a branch of applied microeconomic theory. There is simply no place in today's graduate textbooks, e.g., those of Richard Perlman or Albert Rees, for a discussion of *Industrialism and Industrial Man* and so it is not mentioned. Beyond Princeton and MIT, how much of the *collaborative, thematic* work of the Inter-University Study remains on graduate reading lists? Do the persons responsible for the courses integrate this material into their lectures in any way? The preliminary results of a survey of 200 persons selected at random from those members of the American Sociological Association identifying themselves as having a major interest in Industrial Sociology, Economy and Society, or Development and Modernization suggest that the Inter-University Study has not had a wide impact among these people but that those influenced have been influenced greatly.

Many labor economists have expressed concern in interviews or correspondence that support of the Inter-University Study by the Ford Foundation and the Carnegie Corporation excessively preempted the field of international labor studies. This impression seems to be rather widespread. But is it true? The archival record suggests that the initial approval of KDHM's proposal did result in some "crowding out" of similar, competing projects. Beyond this initial period, the preemption issue becomes murky. The Ford Foundation *did* also support the Inter-University Committee on Comparative Economics, chaired by Lloyd Reynolds. This support resulted in a series of 12 distinguished books, including E. H. Phelps Brown, *The Economics of Labor*; Simon Kuznets's *Modern Economic Growth*, and Reynolds's *The Three Worlds of Economics*. The Ford Foundation provided support for the six University of Chicago workshops, including the one in labor economics. There are cases of research projects which were supported by the Ford Foundation largely because of its prior commitment to the Inter-University Study. An illustrative case is the grant to Mason Haire, Edwin E. Ghiselli, and Lyman W. Porter in 1960 which resulted in their *Managerial Thinking: An International Study* (New York: Wiley, 1966). This grant would probably not have been made if the Foundation had not already supported the Inter-University Study's *Management in the Industrial World* by Harbison and Myers. On the other hand, there are cases of research

proposals which appear to have been rejected specifically because of the prior commitment to KDHM. Thus the net effect on Foundation support for international labor studies is difficult to sort out.

The criticism has been made that the Inter-University Study is yet another illustration of projects which are large because they were successful and successful because they were large (the Matthew Syndrome). One senior labor economist observed that "projects get blown up in part to give them importance and visibility, in part to suggest greater reliability of results." Once the project gets "blown up," the organization providing support has already made a large commitment to the area and may reject other projects or force them to be tailored to the supported effort. Also, in the meantime, "the extent of its involvement may have encouraged other possible sources of research funds to have given that area . . . short shrift."

The reaction I have been getting from the several generations of labor economists educated since World War II toward the Inter-University Study has been fairly negative. Illustrations from two persons:

A. Regarding the Study's impact on labor economics as it is practiced today, it is clear that the effect has been quite minor. (However, it may have had a substantially greater impact in the development field, one with which I am unfamiliar.) Indeed, of all the published work listed in the 1975 summary volume, only Dunlop's 1958 *Industrial Relations* contains ideas that were first proposed in an output of the project and that currently have any effect on thinking about wage determination in a developed economy. (I refer to the notions of wage contours and key wages.) Beyond this I find nothing that even tangentially affects the thinking of those currently at the frontiers in labor economics.

My feeling is that this lack of current applicability of the ideas embodied in the Study has several causes. First, even when written most of the pieces were already outside the mainstream of analytical labor economics that had begun to grow out of the University of Chicago and which now encompasses essentially the whole field. The studies were, as Chamberlain correctly points out, not capable of generating refutable hypotheses, and the concocting and testing of such hypotheses has been the main game among labor economists in the last 15 years. Second, the entire Study was, as you rightly claim, aimed at making the analysis of labor markets general enough to cover developing countries. This desire stemmed from the awakened interest in developing countries after 1950 in the United States and its reflection in work on economic growth in our profession. As attested by

the precipitous decline in articles on economic growth and the fall-off in enrollments in development courses, it is clear that this interest has waned sharply. Accordingly, it is hardly surprising that the work of the Study has not received much attention among labor economists.

To me the Study, particularly *Industrialism and Industrial Man* and *Industrial Relations Systems*, will remain useful as a good example of "big think" institutional analysis. Certainly, it has affected some of my own work indirectly. Nonetheless, I would guess that, if interest in labor in developing countries revives among economists, a more analytical approach will be necessary in order to provide any useful results. Indeed, perhaps the most useful work in this area in the last ten years, the Harris-Todaro [e.g., *American Economic Review*, March 1970] model and its successors, stands far outside the Study's traditions.

B. I have fairly strong feelings about the impact of the study, not especially favorable, but complex. . . . Basically, I think that the way the framework has led us to think about the development process, about ourselves, and about the rest of the world is wrong; also, that it is weak and constraining analytically—I agree with a good deal of what Chamberlain says. On the other hand, the enterprise and its results are understandable historically and ideologically, as is the disenchantment with that framework, which I share with most of my younger colleagues.

Ironically, some of the most recent entrants into labor economics who are perceived by themselves and by their colleagues as "radicals" use KDHM's *Industrialism and Industrial Man* to "refute neoclassical analysis," that is, to document that the neoclassical view of work and payment is in conflict with the lessons of economic history and with contemporary reality in developed as well as in developing countries. See for example, the article by Richard C. Edwards in the Winter 1976 issue of the *Journal of Human Resources*.

In correspondence and interviews, many persons have volunteered answers to a question that was not explicitly asked: Why did KDHM fail or, to put it more positively, why were KDHM not more successful with this collaboration? One common theme struck by KDHM's contemporaries concerned a lack of leadership: "I feel rather strongly that a research project can only succeed if there is someone running it with sufficient commitment, intellectual ability, and technical competence to see it through from beginning to end. Only John Dunlop of the four co-directors of KDHM had the basic ability to do this job, and he was much too busy. When one thinks of really successful large economic

research projects, there is always a dominating figure—Abe Bergson in Soviet economic studies, Joe Pechman for the kind of things Brookings does, Arthur Burns and . . . [Irving] Fisher at the National Bureau, Simon Kuznets in national income accounting, Leontief in the long history of input-output analysis.” Interestingly enough, I have received variants of the above reaction from a large number of persons. Strong cases have been made for each of the other three co-directors as “the only man who could really do the job” or “the only man who really did the job.” Obviously, the degree to which each man was able to concentrate on the Study varied, as a function of other commitments. Also, there was a certain amount of division of labor (by type of labor) within the collaboration. But it *was* a collaboration and it was, from the point of view of the Ford Foundation, a successful collaboration. That is, the archival record suggests that appropriate officials at the Foundation (not necessarily, given staff turnover, the same ones making the grant) were satisfied.

I would like to repeat my call for any advice and/or information related to this retrospective. If you have any leads about how the activities of the Study should be investigated or any opinions about the value of it, please talk with me or write to me about them. If you have any personal views about the impact of the Study’s work on the present shape of labor economics, economic development, or industrial relations, I would be grateful if you would be willing to share them with me (imposing any restrictions you consider appropriate). I would also be grateful for any course outlines and/or reading lists used in the teaching of labor and industrial relations.

The Objectives and Development of the Inter-University Study of Human Resources in Economic Development

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The preliminary retrospect analysis of our Inter-University Study by James L. Cochrane for the Ford Foundation has indicated its origins and evolution from an initial exploratory grant in 1952 through 1975, when our final report, *Industrialism and Industrial Man Reconsidered*, was published.¹ In this paper we shall concentrate on the objectives of our research and how these evolved over the years. Because the study has had favorable as well as unfavorable reviews, and has been criticized for a variety of reasons, it is important for us to say what the study was intended to accomplish, and what it was not intended to do.

In our introduction to *Industrialism and Industrial Man*, we said:

Originally we planned to speak on the subject of labor-management-state relations alone. But these relations are not discrete phenomena in society; they are, by and large, determinate results rather than determining forces. To study these relations, accordingly, it is necessary to study their contexts. This has led us to the industrialization process and to develop a view of industrialism itself. (p. 1)

The study later evolved into one which included the development of human resources (with support from the Carnegie Corporation as well as the Ford Foundation). We began with some research questions, modified these as our research proceeded, set forth some conclusions in books and articles at various times, and modified some of them in our final report.

¹ This report, with the subtitle *Some Perspectives on a Study Over Two Decades of the Problems of Labor and Management in Economic Growth*, included as co-author our longtime colleague, the late Professor Frederick H. Harbison, under whose direction the report was published at Princeton and is still distributed through the Industrial Relations Section there. Copies may be secured through the Inter-University Study, P.O. Box 248, Princeton, N.J. 08540.

The central themes to be developed in this paper are the following: (1) We tried to deal with important questions in the industrial and industrializing countries which have been of interest to many intellectuals since the beginnings of modern industry. (2) We did not choose these questions because we had a particular methodology which fit the empirical findings we sought to analyze, although the questions we selected lend themselves more readily to some methodologies than to others; our questions, unless greatly refined, would not yield to econometric methods. (3) The views we developed were new and provocative; hence critics have emerged with some resultant controversy. And (4), while we modified our conclusions somewhat, many of the original views developed in *Industrialism and Industrial Man* (1960),² in later editions, and in other related and later studies remain, in our considered judgment, essentially sound. Each of these four points will be developed briefly.

The Questions

In our final report, which has had less wide distribution than the earlier volume, we restated the basic questions which have concerned us and others over the years.

Are the problems of labor and management uniquely national, or are they international in scope? What is particular to each nation and what is universal to all nations in the course of development? Are workers locked in an eternal class war with the capitalists (or with socialist or national managers), or are they an essentially stabilizing and even conservative force conducing toward social continuity—especially in later stages of development? Does the industrialized world face more class conflict or more group cooperation in productive effort?

Who leads the changes in industrial society—the pressures of workers, the initiatives of managers, or the power of the state—and in what combinations? Do all nations follow the same route and stages of industrial development? If not, what are the main alternative routes? In the end, do they all tend to converge toward the same general set of relationships? If so, what is their general conformation; if not, what alternatives or possibilities are there?

² Harvard University Press edition, 1960. Some condensation and slight revision was made for the paperback edition published by Oxford University Press, New York, 1964. The British Penquin Edition appeared in 1973 with an introduction by Professor Roy Haddon of York University, U.K. There have been eight foreign editions of the original Harvard edition. About 90 persons in the United States and abroad were involved at one time or another in our study, and the final report has an annotated appendix of 36 books and 42 articles related to and, in part, supported by our study.

What is given and inevitable, and what can man himself change in the course of industrialization, if this is the objective? More generally, how has the Marxist analysis of industrialization, which has been the most widely studied around the world, stood the test of historical development in the context of labor in economic development? And how have other intellectual theories fared?

The Questions and the Methodology

We began with a research proposal on some of these questions which emphasized the independent determinant role of workers and their labor movements in industrializing societies, as we have noted. But our country studies, especially in less-developed countries, led us to recast our hypotheses in the direction of another set of determinants: "the industrializing elites." We tested these new ideas in a series of seminars at major universities and other centers around the world early in 1958, modifying them still further to fit what we learned in this process following the earlier research.

We did not develop testable hypotheses in any quantitative sense, with the possible exception of some data in the book by Harbison and Myers, *Education, Manpower and Economic Growth* (1964). We are not surprised, therefore, that many of the younger labor economists today, skilled in econometric analysis of data available only on a particular set of labor issues, have found little of value in our studies. They seem to select problems in which their quantitative methodology can be applied, sometimes without much understanding or regard for the non-quantitative institutional aspects of the data and the problems they investigate.

The questions we posed for study are the significant ones to political debate even today, for contest between ideologies, and for policy determination from the perspectives of the United States, Western Europe, and the developing societies. Issues of details as to labor force recruitment, measurement and determinants; measurement of human capital in developing countries; and other similar efforts suffer from a lack of reliable data and hence relevance for policy-makers. The shaping of the societies, the role of labor-management-government relations, and strategies in the development of human resources come first. Political considerations in the tactical and short-term sense were not our interest, since we were, and are, more concerned with structural and continuing relationships. In all this, we considered the role of institutions in shaping the relationships.

This point of view on methodology has been made effectively by Professor Robert Aaron Gordon in his December 1975 presidential ad-

dress to the American Economic Association.³ He pointed out first that “the mainstream of economic theory sacrifices too much relevance in its insistent pursuit of ever increasing rigor,” then continued:

And second, we economists pay too little attention to the *changing* institutional environment that conditions economic behavior. We do not often enough reexamine our basic postulates in the light of changes in this environment, and, perhaps more important, we shy away from the big questions about how and why the institutional structure is changing—and where it is taking us.

Later in the paper, Gordon points out that some exception to this type of generalization “should be made for the considerable effort that has gone into the study of the underdeveloped parts of the world.” Then he adds:

Here economists have not been able to ignore the interaction of the institutional environment and economic behavior, and increasing attention has come to be paid to the conditions necessary for one or another kind of change in that environment. I continue to be impressed by the fact that in general economists seem to be prepared to be more institutional in dealing with other parts of the world than they are in studying the particular societies in which they live and do much of their work.

After outlining his own conceptual views for a more systematic study of the dynamic interaction of economic behavior and the institutional framework, Gordon concludes:

This road to salvation will not be an easy one for those who have been seduced by the siren of mathematical elegance or those who all too often seek to test unrealistic models without much regard for the quality or relevance of the data they feed into their equations. But let us all continue to worship at the altar of science. I ask only that our credo be: “relevance with as much rigor as possible,” and not “rigor regardless of relevance.” And let us not be afraid to ask—and try to answer—the really big questions.

It was out of similar convictions that we undertook the Inter-University Study now under review. Our research over two decades attempted to answer the larger questions set out earlier in this paper. We turn to some conclusions which emerged from that research, exchange of views, and sober reflection.

³Robert Aaron Gordon, “Rigor and Relevance in a Changing Institutional Setting,” *American Economic Review*, vol. 66, (March 1976), pp. 1-14. The quotations are from pp. 1, 10, and 12.

Restatement of the Central Conclusions, with Modifications

Drawing largely on our final report, these were our findings:

1. *Industrialization has a commanding logic of its own*, even though the process has different patterns in different societies. Among the “universals” of the logic are the development of a concentrated, disciplined workforce with new and changing skills, a wide variety of occupations, and a hierarchy of skill levels; a web of rules which structures the workforce; an educational system related to skills and professions in some way; urban dominance; and the evolution of a larger role for government in providing infrastructure and public services required for industrialization. An essential part of the logic is the growth or imposition of a distinctive consensus which provides an integrated body of ideas, beliefs, and value judgments which include a high valuation of science and technology, acceptance of change, education for a more mobile society, and support for a workforce dedicated to hard work and individual responsibility.

2. *Labor problems are not unique to capitalism alone*. Contrary to Marx, we held that it was the process of industrialization that gave rise to labor problems, even though there is no single or uniform pattern of industrialization. Under any system of management, it is necessary to recruit, train, develop, and commit a workforce at all levels to factory conditions, urban living, and formalized rule-making processes. The volume and nature of worker protest are more likely to be the result of government and management policies and practices, rather than the cause of these. Everywhere adaptations must be made, and they are subject to disagreement. But eventually there is a structuring of worker reactions and methods of dealing with them at plant, industry, and national levels.

3. *Industrializing elites always lead the march toward the industrial society—the question is which elite leads when, where, and how fast?* We suggested five “ideal” or conceptual types: (1) the middle class and the open market, (2) the dynastic elite and the paternal community, (3) the colonial administrator of the “home” country, (4) the revolutionary (communist) intellectuals and the centralized state, and (5) the nationalist leaders and the guidance of the state. In our discussion of these, we have been accused of being ethocentric in pointing to the middle class elite as in the United States, but we found it controlling in most of Western Europe, as well as Canada, Australia, and in some developing countries such as Israel and Mexico among others. An alternative route is certainly the fourth: the communist centralized state. We concluded that colonialists would disappear, and the nationalist leaders

and the dynastic elites would eventually be transitional to one of the other two. Some may quarrel with our particular ideal types, but these seemed to fit our observations, with intellectuals and the military as "floating forces." It should also be noted that this typology has little in common with purely *economic* analysis of economic development, or with the Marxist interpretation of historical development. Furthermore, economists have trouble with a sociological term like "elites," even though economists have abstracted from complexity with such terms as Marshall's "representative firm," and neo-classical economics use of "pure competition."

4. *Successive patterns of private and public enterprise management evolve during industrialization.* We saw management as a scarce resource, critically important in any industrializing elite and for successful industrialization. Access to top management is likely to be patrimonial in less developed countries and even in some parts of industrialized societies; politically reliable management is important when political loyalty to the state is paramount; and professionally trained management becomes essential in the more advanced industrial societies. Management's rule-making authority evolves from dictatorial or authoritarian management in less developed areas to paternalistic management in the more developed, to constitutional management and some democratic-participative management in the more advanced societies, particularly with a better-educated labor force. Obviously, some authoritarian and paternalistic management survives in enclaves in the advanced society.

5. *The adaptability of labor and the evolutionary character of most workers' movements ease the industrialization process.* Marx thought that worker protest would rise as capitalism developed until it peaked in a revolution. Our view has been that protest, at least in its most extreme forms such as sabotage, violence, etc., is more likely to be an aspect of early industrialization, sometimes suppressed by the state, and that organized and often relatively peaceful strikes occur to bring a settlement between the parties or for political purposes rather than as a basic protest against the industrialization process itself. We believe that workers have shown great adaptability to this process, and that at this stage in world history they are more likely to be in favor of industrialization than in revolt against it.

6. *The concept of an "Industrial Relations System" illuminates the interrelationships of the three inescapable "actors" (in Dunlop's phrase)—workers, management, and government.* Each industrializing society will develop such a system, which will be generally consistent with the basic arrangements in the larger society. As industrialization proceeds, this system will become increasingly tripartite, and within this tripartite

arrangement, the state tends to become more influential. Under some of the industrializing elites, the role of the state will be dominant; under others it will more or less regulate bipartite relationships between management and workers and intervene in critical industrial disputes. And, as Dunlop pointed out in his 1958 book, there are unique industrial relations systems in particular industries (such as in coal, construction, and dock work) which have more similarities across national boundaries than they do with industrial relations systems of other industries in their own country.

7. *Human resources are the active agents in the creation of "the wealth of nations"* (in Harbison's words, paraphrasing Adam Smith). A central goal of development should be the maximum possible use of human resources in productive activity, and the fullest feasible development of the skills and capacities of the labor force which are relevant to this activity. In our later studies we recognized the emphasis on employment as a goal to remedy the serious underutilization of human resources in developing countries and in many developed countries as well. We came to recognize that the less developed countries will have to develop strategies of holding their growing labor forces on the land by creating better opportunities for rural dwellers.

8. *An educational transformation accompanies the industrialization process.* Expansion of the economy and modernization of the society carry education from attention to a small elite, to mass attendance, and to universal access. Change means less emphasis on the old "classical" subjects and greater concentration on technical and professional subjects. There is a high correlation between levels of schooling and GNP per capita in U.S. dollars, but this does not prove whether education is a cause or merely a consequence of economic development. It has been our view that it is some of both. We concluded that there may be different educational and human resource development strategies appropriate at different levels of development. Other questions were suggested: How much should be spent on education? What should be allocated to schooling and how much to on-the-job training? What fields should be most fully developed, and in what types of institutions? Who should pay for education—the state or the parents? While there are no adequate answers to these questions, our studies, particularly some papers by Clark Kerr, have dealt with them and have proposed interim conclusions as bases for action. Other studies by Bakke and Lipset dealt with a world-wide phenomenon of the 1960s—student activism.

9. *Many countries face barriers to industrialization, which also has its costs.* The advanced industrial nations are few and are continuing to develop and change. It is clear now that for one reason or another

many others will not go far on the industrialization road for quite some time. The "age of total industrialization" may never come. The drag of mushrooming population growth, which plagues many developing countries today, was never an overriding obstacle to the presently advanced countries in their earlier development. Further, there are a large number of countries which are either too small or whose natural resources are so limited that progressive travel along the road to industrialism appears unlikely. Cultural factors may also be barriers in many of these countries. But where the basic incentives and conditions exist for industrialization, cultural differences do not prevent different countries from industrializing rapidly, as the experience of Japan illustrates, for example, in comparison with the United States. The concerns of the 1970s about waste, pollution, dwindling supplies of natural resources, and blighted urban areas are clear costs of industrialization that did not receive enough emphasis in our earlier work. But we remain convinced that despite these costs, people in advanced industrial societies have a wider range of opportunities to develop and utilize their human potential than do those in the less developed societies. More options are available in cultural terms as well as in material ones.

10. *The increasing convergence of advanced industrial societies is a long-run tendency, as there is in the very process of industrialization.* We repeat, this is a *tendency*; total convergence is not likely because of the clash between the uniformities growing out of the logic of industrialism and the diversities springing from political, social, cultural, and ideological differences. Nevertheless, our conclusion is that the logic results in advanced industrial societies becoming more alike, despite the other differences, and certainly more alike than any one of them is like a less developed country. In particular, convergence comes sooner and more readily at the technological level, at plant and industry levels on many problems and on urban levels before national and ideological levels.⁴ Our study of the convergence question, on which there is still considerable controversy, is continuing, and an interim report on this work will be available within a year or so. Meanwhile, recent quantitative analysis of data on social structure in 93 countries by Professor Stephen Kobrin of M.I.T. lends support to the view that the more industrialized a country becomes, the more similar it is to others at the same level of industrialization.⁵

⁴ See Bernard Karsh and Robert E. Cole, "Industrialization and the Convergence Hypotheses: Some Aspects of Contemporary Japan," *Journal of Social Issues*, vol. 24, (October 1968), pp. 45-64; and William A. Faunce and William H. Form, eds., *Comparative Perspectives on Industrial Society* (Boston: Little, Brown and Co., 1969).

⁵ See a contributed paper by Kobrin, "Industrialization and Variation in Social Structure: An Empirical Test of the Convergence Hypothesis," in *Proceedings* for this meeting.

Some Directions of Change in Our Conclusions

A few changes have been indicated in the preceding section, but they and others need emphasis in our final section to show how some of our views have changed since the 1960 book, *Industrialism and Industrial Man*, as societies have also changed their preferences.

Industrialization is not likely to be "total," because the barriers to it in a number of less developed countries are nearly insurmountable. Full employment seems to be a more essential attribute of successful industrialization, while the level of GNP per capita by itself is less significant. Rural development is comparatively more important, and the development of modern enclaves less important to full employment and effective growth.

Formal education, particularly unbalanced growth in it, is fraught with potential negative consequences for the "educated unemployed" in developing countries, and may be less certain as a source of modernization. Intellectuals, often considered a positive modernization force, can also be a negative factor in shattering the essential consensus in the logic of industrialization. The costs of industrialization are more substantial than we once realized, but are still potentially strongly outweighed by the benefits. There are more discontinuities in the process of industrialization, and there is less of an assured path forward.

Some of the values of modernization are now rightly more suspect, and a period of reevaluation of consequences as related to human values is now taking place. Possibly new value systems are being born—in particular a "new humanism." But those values which are in conflict with the logic of industrial societies will mean less growth, and forced sharing of or struggles for parts of a more stable national product. World society will be in a state of flux with uncertain results.

Despite these shifts, we continue to stand by the essential conclusions of our study, especially those concerned with the roles of labor and management in the industrialization process, the importance of the elites, and the emphasis on human resources as an active force in industrialization.

A Concluding Note

When we began the Inter-University Study in the early 1950s, most students of industrial relations (including ourselves) were preoccupied with studies of U.S. industrial relations. Our study has stood for the following shifts in view and perspectives: (1) from a U.S. to a wider world view of labor-management-government interrelationships; (2) from capitalism to any type of economy faced with industrialization and modernization of its society; and (3) from the labor movement to a

more systemic approach which included stress on the importance of management and education. Many forces worked in the direction of these later emphases, but certainly our project and various other studies contributed with the events to the fact that labor or industrial relations is a very different subject today than it was in 1950. We believe that the issues with which we and others have been concerned will persist after other more specialized veins of work have been exhausted.

DISCUSSION

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This reconsideration today of *Industrialism and Industrial Man* and the project of which it was the keystone arch is a tribute to the authors. In our field, how many works just 16 years old would already be the subject for a retrospective? Just as important have been the continued contributions of its authors to ours and related fields. For example, significant as this project must have been to Clark Kerr, it can scarcely have exceeded in importance his tenure as President of the University of California and his work for the Carnegie Corporation. For Charlie Myers and Fred Harbison, even the work we consider today was only a prelude to their outstanding contributions in evaluating the role of high-level manpower in development.

As for John Dunlop, for those of you who may have forgotten his tenure as Secretary of Labor—I'm not sure whether he'd prefer to forget it—or his contributions to the stabilization of labor relations in the construction industry, let me just mention his latest and possibly most spectacular contribution to our discipline of industrial relations. Just a week ago the International Industrial Relations Association met at its fourth triennial congress in Geneva. The question of its future status and location got caught up in some intramural politics of the International Labor Organization. Never were John's skills as a mediator-arbitrator better employed to save the IIRA, precious at least to those few of us with a deep interest in international industrial relations studies! A French colleague told me that John seemed to treat the personal bureaucratic-power squabble involving the Association and the ILO as though it were a great railway labor dispute he was handling as Secretary of Labor, and he moved back and forth between the contending parties, making creative proposals to resolve the dispute.

If then I come not to bury nor to praise *Industrialism and Industrial Man*, but to critique it, it's simply because I judge that to be in the role of the only non-Ford Foundation major grant recipient on this program—the so-called outsider.

I have already suggested that it is rather early to evaluate so sweeping a theory as this one. After all, it is a theory in the grand manner, embracing no less than the process of industrialization and with it the evolution of industrial relations, virtually as a universal phenomenon. Being in the grand manner, it is not surprising that the work appears

somewhat superficial in its treatment of many countries and areas outside of the United States. All four authors had, until then, largely concentrated their own work on the United States. (All four participants had done post-World War II work on overseas labor problems, but the great bulk of their research until then had been on domestic labor affairs.) But theory in the grand manner probably often has about it some degree of superficial treatment. I seem to recall the charming words of the recently deceased Fred Harbison—that if a thing was worth doing, it was worth doing superficially.

Well, if it is a bit early to evaluate fully so grand and long-term theory and project as that of KDHM, the reverse is in a sense true of Professor Cochrane's work. It is still rather limited in terms of scope. As yet he seems largely to have concentrated on the historical forces shaping the Ford Foundation grant to KDHM and the work's possible influence on labor economics—labor relations literature. One hopes he will be able to contribute an evaluation of the central work itself, *Industrialism and Industrial Man* as a theory of industrial relations development. I shall myself concentrate on that work and its validity.

It is, to repeat, a grand and long view of history and perhaps it is unfair to critique it so early, but the sponsors of the program and KDHM seem to be asking for just that.

I have just had occasion to prepare a brief monograph on recent industrial relations trends and also to prepare an editor's introduction for a volume on unions and politics, both of these for developing nations.

I had just about completed these two works before I realized I had made no connection between them and this particular program. Perhaps that's the most critical comment one can make on *Industrialism and Industrial Man*. When you review the labor relations problems and issues that have troubled governments, employers, and unions in the developing nations in the past decade or so, the broad homogenizing framework and theory of the KDHM volume seem largely irrelevant.

In the first place, what strikes one is that the central force shaping industrial relations in almost all developing countries has been government which has asserted ever-growing control over the development process. This fits in with the problems of late development everywhere, and its implications for unions and labor relations are very profound. In country after country governments have exerted direct and almost brutal control over strikes, collective bargaining, and related matters. This has been the controlling force, not what type of elite is in command. In a practical sense there really are only modern elites, though some are highly authoritarian-tending, some more democratic-tending. The KDHM *distinctions between* elites, so critical for their general

theses, seem much less important in the perspective of 16 years of experience in the developing countries.

Under the circumstances of widening governmental control over labor relations, it is difficult to evaluate KDHM's theses about labor protest peaking early in industrialization, since the tendency has been to limit severely and even forbid strikes in so many countries (not that strikes are the only indicator of labor "protest"). In countries where such developments have occurred, and where unions nevertheless remain viable, often a new search begins for some kind of labor tribunal or judicial force to make the final determination of wages and other conditions in the absence of the right to strike, and in the desire to reconcile union actions with what government sees as the needs of development. The emergence of new industrial courts in Singapore, Trinidad, or Kenya come to mind as straws in the wind. Forgive such grubby details, but I fear there is need for some of this for any interim, short-run evaluation of the KDHM theses on the future of industrialism and industrial relations in developing countries.

Incidentally, in already developed Western-country labor relations systems, where labor protest should be easing according to KDHM, a tendency toward some greater degree of strike activity has been somewhat in evidence (especially before the recent slump). This may be a transitory phenomenon; but the likelihood of lower rates of growth in the futures of most democratic industrialized countries might make labor-employer conflict more acute in both the industrial and political spheres. Struggles in the political arena with proposals for labor representation on company boards of directors, union demands for much stronger legislation on safety and other matters, demands for union participation in profits and ownership via legislation—these are some of the indicators of greater rather than lesser tension in "labor relations" in Western Europe. These signs of much greater labor-employer confrontation can be found even in relatively stable systems like those in Scandinavia. Much as I'd like to go into this, limits of time dictate concentration upon the developing countries.

As to the practical problems which seem to be troubling labor relations systems and the "actors"—governments, unions, and employers in developing countries—these have often included such mundane issues as plural unionism (too many unions in the same plant and/or industry), and the oft-related matter of establishing effective procedures for union recognition.

Another problem much under discussion in Africa and parts of Asia and in other developing areas is whether or not unionized labor represents part of the economic aristocracy in the new societies. With

even modest gains, many union members' standards seem to compare well with the mass of rural peasantry. Related to this concern is the fear that unions are an inflationary force threatening developing countries' export ability. While there isn't much evidence that unions are having much of an inflationary impact or that they are eating up significant amounts of potential investment capital, many governments seem determined to force them into a more productionist role rather than let them continue in their traditional consumptionist activities.

The continued presence of great rural masses, with the prospect they will continue to loom large in many, many developing countries for the rest of this century, has, of course, largely been due to high rates of population growth. As Myers notes, incidentally, KDHM like many others seem to have overlooked or underrated the importance of this population factor, even as they were overrating the prospects for rapid industrialization.

KDHM, like many other social scientists writing in the fifties and sixties, were, I think, too economic or industrial in their preoccupations and visions. Much of what has gone forward in the past 16 years in developing countries has been the broader process of nation-building, of modernization, not simply, or in many cases not even, serious industrialization. This has involved building and establishing the authority of legitimate government. It might well be that in another 16 years the direct pressures of the industrialization process upon industrial relations may seem more important.

Like most of us, KDHM missed the rather special impact of multinational corporations upon industrial relations in a number of countries in Asia, and to some extent in Africa. You simply can't understand labor relations in Malaysia, Singapore, the Philippines, or South Korea without reference to the impact of these special enclaves of modern industrial organization, the multinationals. Labor law and relations have been bent and drastically changed in these countries in large measure to attract multinational investment. In a different way, multinationals have been important in African nations such as Kenya, the Ivory Coast or Tunisia. Again the multinationals' labor impact in the Caribbean has been enormous; and even in Latin America, where labor relations are older and more established, this impact continues to be considerable in a number of countries.

Generally these companies often provide a very modern labor relations setting; usually the wages and working conditions of their employees are among the best in most developing countries. But their styles are often unique, and while they must adapt considerably to local conditions, they bring with them methods of personnel direction and

wage and benefit administration which are simply different from the indigenous culture and entrepreneurs. While it is a bit early to comment, the multinationals and the unions they deal with might almost become a kind of partial model for industrial relations at the firm level in some developing countries—especially smaller countries.

One could defend KDHM from their failure to anticipate such developments as these by noting they are not very earth-shaking. And indeed in their wide horizons of industrialization this is true. But that, in a way, was one of the serious weaknesses of the “theory,” and theory it is I think despite Neil Chamberlain’s acute criticisms. They offer such a broad view of what happens, or at least what might happen, that *direct* insights into what may actually go on are limited. Obviously, to look at the KDHM ideas on the convergence of systems for example, workers’ and managers’ lives will be more similar to one another under either communist or capitalist industrialism, as opposed to the lives of ordinary toilers in preindustrialized, traditional societies. But still there will be and are vast differences as between labor relations institutions in communist and capitalist societies, even should the KDHM-type of industrial convergence take place. The largest work of comparative labor study lies in exploring and explaining these differences, even more than the similarities.

Finally looking back to its publication and looking forward to its future standing, it is not yet clear whether the authors of *Industrialism and Industrial Man* were riding off into a golden sunset or a golden sunrise; but they were sweeping and provocative, and that’s useful enough.

XI. COLLECTIVE BARGAINING SYSTEMS

Collective Bargaining as an Institution — A Long View

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We aim here to reflect broadly on American collective bargaining: its fundamental terms, tendencies, and limitations.

Collective bargaining is only one point along a continuum of types of joint dealing between workers and employers. At one pole the negation of joint dealing is management unilateralism where the right to make decisions is vested solely in management. At some intervals removed is human relations and its later variants, probably best labeled now as organizational development. Organization development is still management in command but with greater sensitivity to the needs of the lower participants. Consultation is European usage and represents generally a type of formalized joint dealing in which the workers have a right to be informed, to question proposed management policies, and to get a response; but the eventual decision under consultation is made by management and is not contingent on a negotiated agreement with the workers' side. The American analogue is "meet and confer" found in some public sector bargaining statutes.

In collective bargaining, which marks a major division point, decisions relating to the terms of employment are contingent on negotiated agreement with an appropriate union. Codetermination, German in origin and setting, is, in its fullest development, the right of the workers' representatives to join with top management in the making of decisions, *whether in the employment area or not*. Craft unionism, which incorporates major terms of employment in its own internal rules rather than in the collective bargaining agreement, resembles workers' control in that the balance of power is substantially on the union side, but without its ideological coloration. Workers' control—classical syndicalism in an earlier era—is the negation of joint dealing but on the workers' side.

The historic continuities—i.e., the historically durable features—of collective bargaining are styled here as (1) economism, (2) power, (3) distributiveness, (4) incrementalism, (5) protectivism, (6) decentralization, and (7) market capitalism.

Economism means the strong predisposition to reduce bargained terms to a price or other number. Price either as cost to the employer or as income to the worker is what the parties seem to want most out of bargaining. It has been suggested, however, that in nonnegotiating contexts nonprice values like “the quality and meaning of job content and working relationships” are likely to be uppermost.¹

But the price of labor as negotiated in collective bargaining has a very complex structure. The price of labor cannot be negotiated meaningfully without also negotiating terms of effort and job tenure, i.e., the conditions of work. The price-conditions bargain, in turn, cannot be consummated without accountability from management as to how labor is utilized.

It is not only that collective bargaining may result in higher costs which evokes employer antagonism. But even more, the circumstance that an agreement on the price of labor, unlike other factor pricing, continues on to regulate the manner in which the labor is to be utilized. How much regulation depends fundamentally on whether it is the price of craft labor or industrial labor that is being negotiated. The craft union virtually predetermines many of the terms of utilization; the industrial union’s control consists of its right to “grieve” but only *after* management has exercised its prerogative to manage. Without regulation of utilization, the negotiated price bargain could be nullified unilaterally by the employer.

Collective bargaining deals with power as much as with price. Bargaining effectiveness more than price enhancement is the union’s primary goal. Maintenance of the union as a bargaining organization—which is what bargaining effectiveness is about—requires power to withhold labor (the strike) or to withhold product demand (boycott). In addition to withholding, bargaining effectiveness requires organizational discipline sufficient to “command respect” from employers.² The other sense in which power figures in collective bargaining is that workers value collective bargaining and, in turn, the union precisely as it confers job *rights*.

For its part management sees its task in collective bargaining as the mustering of sufficient power to resist price and power incursions by the union. “The issue of power in labor relations is the cardinal factor in

¹ W. W. Daniels, “What Interests a Worker,” *New Society* (March 22, 1972), p. 586.

² John R. Commons, *Industrial Government* (New York: Macmillan, 1921), p. 268.

every contract negotiation.”³ Management power begins with its ability to withhold employment and subsequently to maintain cost discipline within the management organization. Much of management’s job satisfaction, aside from cost control, also derives from the sense of power to direct the workforce.

Selekman has stated the power element incisively: “It is by mobilizing their power . . . that workers and their leaders compel management in the first instance to deal with them and then to grant, in whole or in part, the demands which they make upon the corporation. It is by countering with power—economic, political, and moral—that corporate management determines how much and to what extent it deals with its employees through organized unions, and, once it deals with these unions, how much of the demands it will grant. . . .”⁴

Political power for American unions and managements has been an indispensable complement to collective bargaining. To begin with, politics is viewed as a species of bargaining in which manpower, morale, finances, and votes are variously withheld or bestowed in return for favorable legislation. The price-conditions-power terms which the parties seek in collective bargaining all have their analogues in legislation without which collective bargaining effort is noticeably less effective.

The historic issue for the unions has never been whether politics is relevant to bargaining but rather (1) the relative weight of politics in the mix of strategies and (2) the importance of socialist ideology in the political program. There has, of course, never been a time when business has not perceived politics as directly related to its economics, including its labor economics. The only question there has been the self-consciousness with which business managed its politics. The prospect is for more rather than less politics, given the increasing degree of state regulation of the economy.

Collective bargaining is mainly distributive; that is, as McKersie and Walton have described it: “Its function [not its only function] is to resolve pure conflicts of interest.”⁵ To be sure, the parties at interest “have a common purpose in increasing total revenue.” But within this framework of common purpose there is “the conflict over distribution . . . for the actual distribution of additional increments of revenue.”⁶

There has been no shortage of examples of what commentators have

³R. N. McMurry, “War and Peace in Labor Relations,” in *Unions, Management and the Public*, eds. E. Wight Bakke, Clark Kerr, and Charles Anrod (New York: Harcourt, Brace and World, 1967), p. 226.

⁴Benjamin Selekman, Sylvia K. Selekman, and Stephen Fuller, *Problems in Labor Relations* (2d ed.; New York: McGraw-Hill, 1958), p. 4.

⁵Richard Walton and Robert McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965), p. 4.

⁶V. L. Allen, *Sociology of Industrial Relations* (London: Longman, 1971), p. 39.

variously called "integrative," "problem solving," "programmatic," "co-operative," "trusteeship" experiments. The essence of these variations is the enhancement of the gain (or avoidance of loss) by *both* sides rather than, as in distributive bargaining, allowing one side to gain at the expense of the other. Apparel unions, steelworkers, meatpackers, longshoremen, and automobile workers have intermittently experimented with collaboration, but it has not really caught hold as a permanent feature of a relationship; apparel industrial relations has probably come closest.

The parties turn to the more formal "integrative" bargaining only as a less worse alternative to distributive bargaining and not because they perceive some absolute advantage in it. For the employer, integrative bargaining is an opportunity to cut his losses from distributive bargaining. In the last analysis what keeps the employer bargaining at all is to avoid the presumptively higher costs of not bargaining. The adversary posture, with only occasional excursions into formal integrative bargaining, somehow seems to be collective bargaining's "natural" state.

Collective bargaining is mostly suited to incremental change. The short-term horizon of the workers makes it difficult for them to adjust rapidly to wholesale change. For their part, employers, while better adjusted to longer time-horizons in their business affairs, resist wholesale change in their labor dealings. Employers oppose all bargaining innovations at first and will, under pressure, accept them only if undertaken piecemeal. Eventually employers may even come to see positive merit in an innovation, but this evolves from experience and not from rational precalculation.

Reuther first sought the guaranteed annual wage in one settlement but had to wait for SUB to achieve it in effect through step-by-step change. Similarly with health care and pensions. A comprehensive social security program through legislation was first urged by the unions in the late 1940s. With the failure of this effort, comprehensiveness has had to wait on step-by-step negotiation over the years. Both the guaranteed annual wage and health insurance and pensions were strongly opposed by employers in principle but were eventually accepted piecemeal and even endorsed as positive contributions.

The union as the moving party in collective bargaining favors a protective stance in relation to management. This preference for the critic's over the partner's role fits best with the primary importance which the union attaches to bargaining effectiveness.⁷ From a bargaining effectiveness standpoint, the union is clearly in a much better tactical

⁷ Adolf Sturmthal, "Workers Participation in Management: A Review of United States Experience," *Bulletin*, International Institute for Labor Studies (June 1969).

position to grieve if it has not earlier collaborated with management in the making of the decision which leads to the grievance. Even if it were of a mind to do so, there is a question whether the union can muster the resources to do both grieving *and* comanagement. And as it happens, American unions are not ideologically of a mind to support comanagement. The unions want only to bargain with the enterprise, not to run it.

Some unions, because they are the only force capable of exerting industry-wide influence in an otherwise fragmented industry, have at various times moved beyond protectivism—the unions in apparel are the classic case; lithography and West Coast longshoring are other examples—and assumed initiatives with management in attacking industry problems. What may have made these unions special was a leadership which could think in large policy terms and managements which were receptive to union initiatives. But other unions in analogous circumstances, lacking such leadership—unions in construction, East Coast longshoring, railroads, motor transport, newspaper publishing are the examples—have not been able to break out of the mold of protectivism even to face up to, much less deal with, the disorganization and fragmentation in their industries.

American collective bargaining continues to be a decentralized system mostly adapted to detailed wage-setting at the level of the enterprise and in the nonfactory sector at the level of the industry in a locality. The main reasons for decentralization are the complexities which the large-scale U.S. economy generates, the local-mindedness of the rank and file, and the bifurcation of bargaining between formal agreement and shop-floor grievances. Decentralization may also contribute to protectivism which seems to vary inversely with the distance from the shop floor; that is, the steward is likely to be more protective-minded than the national union president.

Pluralistic capitalism of the North American and Western European variety provides the most favorable environment for power-based collective bargaining. Pluralistic capitalism is more likely to tolerate the diversity of power centers generated by collective bargaining, even when these collective bargaining centers seem at times to rival state power. In fact, we know of no strike-based collective bargaining outside of the capitalist systems. The state-centered systems, by contrast, regard strike-based collective bargaining as incompatible with an absolute or near absolute monopoly of power. In these latter situations, strike-based collective bargaining represents not only a threat to centrally planned economic goals but also a potential and frequently manifest competing social and political grouping.

Pluralist capitalism also seems to be most adaptable to the *process* of collective bargaining. It tends to foster the mood of live-and-let-live which moves collective bargaining negotiations. Only the pluralistic, capitalistic, advanced industrialisms have been able to preserve that balance between high wages and the viability of enterprise and economy which collective bargaining requires. The continued maintenance of that balance, however, is currently in question.

The forces working to reshape collective bargaining are identified here as (1) socialization, (2) rationalization, and (3) enlargement of the compensation structure. Socialization means that the procedures and substance of bargaining are deemed so affected with a large public interest that the course of bargaining can no longer be left safely to the sole discretion of the bilateral parties. It means further that the public interest, however defined, must be actively asserted and defined by "third" parties.

In the recent period the state has moved actively to regulate not only the procedures of bargaining, for which there is well-established precedent, but bargaining substance as well. The highly visible examples are "wage stabilization," pensions, occupational health and safety, and civil rights in employment. With respect to the last-named, the civil rights movement has been one of the third parties which along with the state have asserted interests against the traditional bargaining parties.

Other fields of regulation do not determine so much as they constrain terms of settlement. Laws relating to labor relations seem to deal only with bargaining procedure but, in effect, inevitably shape substance. The obligation to bargain over welfare and pensions, a procedural regulation, ended up in making these provisions almost universal. Unit determinations have the effect, in specific representation cases, of tilting the election result in favor of craft or industrial unions. The effect of minimum or prevailing wage laws is to narrow the range upward within which the settlement eventually falls.

The upshot is that no nation regulates the bargaining relationship more continuously or in greater detail and depth. By now, state regulation is so deeply imbedded in the bargaining relationship that the parties cannot get along without it. The scope of regulation, however, is more like a patchwork than an integrated structure or system. At the moment, wage stability regulation has receded, but it could easily be restored if inflationary forces get renewed. The prospect for civil rights regulation is for more rather than less. Socialization induces a more systematic political-legislative involvement by the bargaining parties and in consequence their collective bargaining gets increasingly reenforced by political bargaining.

Public sector bargaining may represent the most powerful socializing influences yet. To begin with, the nature of the employer as a public entity gives collective bargaining an intrinsic social character. Second, the nature of public employment, i.e., health, sanitation, police, fire-fighters, transportation, imparts a highly visible social effect to the results of the bargaining. Third, the apparent imbalance of power in favor of the public unions raises the public policy question of redressing the imbalance. Finally, public sector bargaining takes on a strong social concern because, the argument runs, it is effectively displacing duly constituted authority in the making of tax policy and the allocation of public resources.⁸

Rationalization means the making of decisions through rules, organization, and expertness rather than through trial by struggle, ideology, or hit-or-miss. The rationalization of bargaining has evolved from an earlier era of class struggle and confrontation. For example, the strike and other sanctions are no longer perceived as rebellion or ends in themselves but simply as means toward parity of bargaining power. The scale and complexity of bargaining require another form of rationalization: an organizational network on both sides of the bargaining relationship manned by specialized, frequently professional personnel.

Rationalization is required because collective bargaining is a discipline. Collective bargaining requires discipline because of the large stakes, the rigorously defined terms, the adroitness and knowledge demanded from practitioners, and the need for complex organization to make collective bargaining operative.

Rationalization is, however, not of the essence of the union as it is of business enterprise. The union is not a profit-making firm. Its stock-in-trade is the goodwill of its constituents which, in turn, is largely derived from the union's bargaining effectiveness. The leadership style and politics of unionism which contribute to effectiveness are not easily rationalized; that is, they are not reducible to principles of efficiency, nor does the union environment lend itself easily to business-like bureaucracies.

Rationalization is of limited usefulness in dealing with many of the discontents at work, which while not always "rational" are nonetheless deeply felt. On-the-job gripes, racial tensions, "Lordstown" syndromes, and younger worker discontent do not always yield to the deliberate pace of rationalized grievance and arbitration and may even exacerbate them. When such discontents cannot travel the rationalized routes, they go the way of wildcat strikes, rejection of contracts, and lowering of

⁸ Sterling Spero and John M. Capozzolla, *The Urban Community and Its Unionized Bureaucracies* (New York: Dunnellen, 1972), p. 325.

work quality. Most of all, rationalization has yet to be successfully applied so as to reconcile collective bargaining results with national economic policy.

Enlargement of the compensation structure means the incorporation into wages and salaries of payments for: (1) leisure, i.e., paid vacations and holidays; (2) insurance, i.e., cost and income protection against the risks of unemployment, old age, death, illness, and pregnancy; and (3) human capital development, i.e., financial aid for training, education, and apprenticeship. This tendency can be interpreted as the application of a kind of "humanization" principle in the literal sense that an increasingly larger proportion of the pay packet goes for longer-run costs of human maintenance such as health and leisure, and a lower proportion into output-related pay.

Collective bargaining appears to be a limited-purpose institution unsuited, inadequate, or even opposed to some of the objectives and values urged upon it. Decentralization makes bargaining unwieldy for coordination with national economic policy. Protectivism renders collective bargaining unsuited to essential restructuring of enterprises and industries; craft protectivism seems to be the major problem here. The price preoccupation can harden into a "money illusion." The power and price orientation of collective bargaining clashes with "Theory Y" precepts of trust, flexibility and informality, and job enrichment which has its own unstated price and power goals.

Conventionally defined revolution and reform seem also to be outside of collective bargaining's limited purposes, for two fundamental reasons. First, bargaining as unionism's stock-in-trade probably "needs" pluralistic market capitalism as its most favorable habitat. Second, revolution suffers because the rank and file are unwilling to deny themselves short-run incremental gain in order to advance the long-run revolutionary strategy.

The historic association with reform and revolution has imparted to unionism a concomitant goal which might be called social justice. Social justice falls within the bounds of collective bargaining, settling for gradual but qualitative improvements in the conditions of the working class. According to this standard, collective bargaining may be judged to have served social justice by elevating the worker's standard of life via insurance and leisure in compensation, by giving workers on their own and through the union a voice, as a matter of right, in their conditions of work, and by providing the political base for the full employment-welfare objectives. Within recent years the low paid—which also means the ethnic minorities—seem to have profited most particularly by the social justice effect.

DISCUSSION

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Professor Barbash provides a useful summary of the fundamental and enduring features of collective bargaining in the United States. Students of industrial relations can certainly profit from a careful reading of his paper.

The major portion of his paper is devoted to a discussion of "the historic continuities—i.e., the historically durable features—of collective bargaining." Although he does spend some time discussing the "forces working to reshape collective bargaining," it seems to me that his emphasis on the historically enduring features of the institution slightes the dynamic and flexible nature of collective bargaining in the United States.¹ No institution can survive for a long period of time if it lacks the capacity to adapt to the internal and external forces that impinge on it. Collective bargaining, no less than our legislative bodies, our schools, and even our professional societies, has demonstrated the flexibility and malleability that has enabled it to meet challenges that could easily have resulted in its obsolescence.

In adapting and responding to a variety of challenges, collective bargaining has become something different today from what it was in the 19th century and, in indeed, from what it was in the 1930s. Certainly there are enduring features, but a "long view" of collective bargaining must also recount the dramatic changes that have occurred, particularly over the past 30 years.

In thinking about Professor Barbash's seven "historically durable features," I found it useful to classify them according to the following categories:

1. The objectives of the parties: protectivism.
2. The structure of bargaining: decentralization.
3. The process of bargaining: distributiveness and incrementalism.
4. The substance of bargaining: economism and power.
5. The environment of bargaining: market capitalism.

Classified in this way, I think it becomes apparent that the major features of collective bargaining in the U.S. have undergone substantial,

¹Collective bargaining seems equally flexible and adaptable in other western democracies. For a recent survey, see, *Collective Bargaining in Industrialized Market Economies* (Geneva: International Labor Office, 1973).

if not radical, change over the past several decades. Let us consider these categories in turn:

The Objectives of the Parties

Labor's major objectives, at least in the United States, are very narrowly defined. Unions in this country have not historically been interested in joint management of the enterprise. As Professor Barbash puts it, "unions want only to bargain with the enterprise, not to run it." Thus, unions have, for the most part, been content to deal with management on a select number of issues—principally those that concern the working conditions and job rights of the union's constituents and the organizational security of the union itself.

Although we may still call "protectivism" the major objective of trade unions, the expansion of union interests into new areas has certainly served to redefine the meaning of this concept. Once upon a time, unions achieved protection of workers' interests by establishing a standard rate and enforcing the closed or union shop. By the end of World War II, all unions recognized that protection of workers' interests did not end with the signing of a contract, but extended throughout the period of the contract. Hence, protectivism came to mean the right to grieve and to arbitrate, if necessary. Recently many unions have come to believe that protection of workers' interests involves an expansion of the union's concerns into areas once thought entirely outside the purview of bargaining. For example, unions are now more than ever concerned to enhance the quality of working life. I, for one, do not think that union concern for the quality of working life is a passing fancy. Indeed, if we ever again achieve a full-employment economy, such issues will certainly be on the bargaining table in full force.

The enhanced meaning of protectivism may not signify a quest by unions to share management responsibilities, but it certainly has meant the diminution of the scope of "management prerogatives." Union objectives have more and more involved tighter reins on management initiatives and discretion. According to Allan Flanders, "a modern view of collective bargaining . . . must recognize that it is an institution for regulating labor management as well as labor markets. . . . When collective bargaining broadens its scope from regulating markets to regulating management, it changes its character because different demands are placed upon it."²

I think it is noteworthy that Professor Barbash did not deal with *management* objectives in collective bargaining. Here, it seems to me,

²Allan Flanders, "The Nature of Collective Bargaining," in *Collective Bargaining*, ed. Allan Flanders (Middlesex, England: Penguin, 1969), pp. 37-38.

the greatest changes have occurred. Certainly there are still many employers who sustain a high level of antiunion animus. Such employers view the union as an evil to be avoided and even destroyed, if possible. But in established (some would say "mature") bargaining relationships, most employers seem to have new objectives. For the employer, as George Brooks has pointed out, "the frame of reference is no longer 'who is going to win,' but 'what have we got to do in order to continue this agreement in satisfactory form.'"³ "Mature" managers have found the union apparatus a useful instrument to convince the rank and file that the terms of employment worked out in collective negotiations are the most satisfactory for all concerned.

The Structure of Bargaining

Professor Barbash says, "American collective bargaining continues to be a decentralized system mostly adapted to detailed wage setting at the level of the enterprise and in the nonfactory sector at the level of the industry in a locality." No one can deny that collective bargaining in the United States remains much more decentralized than the industrial relations systems of most other countries. On the other hand, the dominant drift of the structure of bargaining in the U.S. over the post-World War II period is toward greater centralization and consolidation. The signs of such a drift are so abundant and well known that I need only list a few here: the spread of multiplant bargaining; the development of coalition bargaining in nonferrous mining, electrical equipment, and other industries; the move toward regionalization of bargaining in the construction industry. Other signs of advancing centralization include the increased authority in bargaining of national union officers and corporate officials, the decrease in union rivalries and raiding efforts, and the wave of formal union mergers that began about a decade ago and continues unabated.

The movement toward centralization has been counterbalanced to some extent by such factors as the apparent increase in contract rejections, wildcat strikes, "revolts" by skilled workers, and the like. But note that such decentralizing forces have largely been unsystematic and ad hoc in nature.

The causes of increasing centralization are not difficult to identify.⁴ Principally they relate to market factors, particularly the growth of large

³George W. Brooks, *The Sources of Vitality in the American Labor Movement* (Ithaca: New York State School of Industrial and Labor Relations, 1960), p. 20.

⁴Arnold R. Weber, "Stability and Change in the Structure of Collective Bargaining," in *Challenges to Collective Bargaining*, ed. Lloyd Ulman (Englewood Cliffs, N.J.: Prentice-Hall, 1967), pp. 13-36; David H. Greenberg, "The Structure of Collective Bargaining and Some of its Determinants," in *Proceedings of the 19th Annual Meeting, IRRRA* (Madison, Wis.: The Association, 1967), pp. 343-53.

national and multinational corporations. Also important, however, are the desires of the parties themselves for stability in labor relations which can more easily be achieved through centralized structures. And the forces that Professor Barbash refers to as "socialization" and "rationalization" both tend to increase centralization of collective bargaining. The movement toward centralization may slow, but there is no reason to believe that it will reverse. Emphasizing the decentralized nature of American industrial relations obscures this significant trend.

The Process of Bargaining

According to Professor Barbash, "The adversary posture, with only occasional excursions into formal integrative bargaining, somehow seems to be collective bargaining's 'natural' state." But it seems to me that the central and overriding change in the bargaining process that has occurred over the past three or four decades is the movement from confrontation to accommodation. For most unions and employers collective bargaining is no longer a life-and-death struggle. On the contrary, what many observers now lament is not the continuation of adversary postures in bargaining, but a transition from constructive accommodation to cozy collaboration in well-established relationships.

There is, of course, much evidence of the decline of confrontation in collective bargaining. For example, many studies have documented the secular decline in aggregate strike activity in the United States.⁵ In recent years only about one in 20 new contract negotiations ends in a strike, and a high proportion of these strikes last only two or three days. Many factors may explain the trend decline in strike activity, and strike statistics are not the only—or necessarily the best—indicator of the movement to accommodation. Any reasonable observer, however, would have to say that the climate of collective negotiations is vastly different today from what it was 40 years ago.

For a second and different reason, I believe it is misleading to call the adversary posture the "natural state" of collective bargaining. A better generalization, it seems to me, is to say that the parties normally engage in "mixed-motive decision making." For most agenda items, the parties will perceive opportunities for both competitive (i.e., distributive) and cooperative (i.e., integrative) behavior. Walton and McKersie have explained that the negotiator's persistent dilemma is to decide which

⁵ For example, see Arthur M. Ross and Paul T. Hartman, *Changing Patterns of Industrial Conflict* (New York: Wiley, 1960); Orley Ashenfelter and George Johnson, "Bargaining Theory, Trade Unions, and Industrial Strike Activity," *American Economic Review*, vol. 59, (March 1969), pp. 35-49; and Jack W. Skeels, "Measures of U.S. Strike Activity," *Industrial and Labor Relations Review*, vol. 24 (July 1971), pp. 515-25.

strategy to pursue to achieve his objectives.⁶ Any strategy entails risks and the "correct" strategy, even for an issue like wages, is not always self-evident. The result is that most sets of negotiations are characterized by a mixture of competitive and cooperative strategies. The "natural state" of the bargaining process, it seems to me, is for the parties to be at some point on a continuum between distributiveness and problem-solving.

Since I agree that the bargaining process is most suited to the achievement of incremental change, I will turn to the question of the substance of bargaining.

The Substance of Bargaining

Professor Barbash defines "economism" to mean "the strong predisposition to reduce bargained terms to a price or other number." I agree, first, that wages and related money items remain the major substantive issue in bargaining, and second, that even nonmonetary issues can be, and often are, expressed in terms of prices and numbers. The increasing scope and complexity of negotiated issues, however, has made it exceedingly more difficult to reduce bargained terms to a number. The parties themselves often disagree vehemently about the costs of a negotiated package. Those familiar with the procedures used to cost packages will attest that it is a labyrinthine art.⁷ Also, it is increasingly the case that the estimated value of negotiated benefits to the workers differs significantly from the estimated costs to the employer. Several studies of pattern bargaining in the post-World War II period have shown that deviations within an industry from a particular pattern became more prevalent over time.⁸ One explanation for this tendency is that it has simply become more difficult to identify what a "pattern" is. Professor Barbash has pointed to "enlargement of the compensation structure" as a force reshaping collective bargaining; it seems to me that this factor has most especially diluted "economism" as a characteristic of bargaining.

⁶ Richard E. Walton and Robert B. McKersie, "Behavioral Dilemmas in Mixed-Motive Decision Making," *Behavioral Science*, vol. 11 (1966), pp. 370-84, provide a succinct statement of this proposition. See also, Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

⁷ For an outline of the method used by the Bureau of Labor Statistics, see Lily M. David and Victor J. Sheifer, "Estimating the Cost of Collective Bargaining Settlements," *Monthly Labor Review*, vol. 92, (May 1969), pp. 12-26.

⁸ See, for example, Harold M. Levinson, "Pattern Bargaining: A Case Study of the Automobile Workers," *Quarterly Journal of Economics* (May 1960), pp. 296-317; George Seltzer, "The United Steelworkers and Unionwide Bargaining," *Monthly Labor Review*, vol. 84, (February 1961), pp. 129-36; and Kenneth Alexander, "Market Practices and Collective Bargaining in Automotive Parts," *Journal of Political Economy* (February 1961), pp. 15-29.

I have listed "power" under the heading, "substance of collective bargaining," because Professor Barbash identifies power with the union's efforts to maintain itself as a bargaining organization and with management's efforts "to resist price and power incursions by the union." Thus, I interpret Professor Barbash's conception of power to involve principally questions of union security and management rights. I have already indicated that I believe changes in the objectives of the parties are reflected in the ways in which they handle these two issues. In no area has change been more profound. The maintenance of a union as a bargaining organization once meant a ceaseless striving to organize new workers and to maintain current membership strength. It meant forceful or persuasive efforts to gain recognition from employers. But today most union leaders are not involved in a struggle to organize and survive. Indeed, as George Brooks has pointed out, a high proportion of current union members were actually "organized by the employer"—"that is, they were informed by the personnel officer that unless they joined the union within thirty days they would not be able to work in the plant."⁹ Since the parties have moved to accommodation, the issue of "power" has involved not so much fundamental questions of the parties' relationship as marginal, tactical advantages that bargainers may exercise over each other in negotiations.

The Environment of Bargaining

Professor Barbash states that "pluralistic capitalism of the North American and Western European variety provides the most favorable environment for power-based collective bargaining." I would only point out that the economic systems that go under the label "capitalism" differ widely in their characteristics, including the proportion of enterprise that is state-owned. Collective bargaining, after all, had its roots in 19th century capitalism but continues to thrive in the vastly different environment of the modern welfare state. It seems to me that there is nothing necessarily incompatible between collective bargaining and democratic socialism, but that collective bargaining cannot survive under totalitarian regimes, whether they be socialist or capitalist in nature.

Continuity and change characterize all social systems. Professor Barbash has emphasized the enduring features of collective bargaining in the U.S. My purpose has been to show that these features have undergone a considerable amount of change and modification. In terms of the objectives of the parties and the structure, process, substance, and environment of bargaining, collective bargaining is very different today from what it was in the past.

⁹ Brooks, p. 5.

Wage Determination and the Development of Collective Bargaining in Baseball

JAMES G. SCOVILLE
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Over the past few years, sports fans and/or tipplers across the nation have been agitated by the following general questions: "How can that guy be worth that kind of dough?" (Unsexistly, the same question was asked about Barbara Walters.) Or, as one of our local scribes put it, why should anybody get a hundred thousand or more for playing a kids' game? Or, as a Red Sox fan might have phrased it, why would anybody have paid Dick Stuart *anything* to play baseball?

Speaking neo-classically, the general answer to these questions takes the form: because they (or their services) are worth it. Indeed, the bulk of the evidence, theoretical and empirical, seems to support the proposition that they are *more than worth* the money they are paid. If marginal revenue product exceeds salary, then these Pinstripe Plutocrats are even *exploited*—at this point, the outpourings of the purple prose of indignation from thousands of sports desks can well be imagined (in spite of the fact that the contracts of three A's stars for less than a full season might be worth \$3½ million!).

Such rage notwithstanding, recent studies have placed the proportion of actual worth received by baseball players at about 10 percent by Scully,¹ or from 30 to 50 percent by Medoff.² What is the source of this 50 to 90 percent rakeoff?

Wage Determination in Baseball

Using a very simple model, both Scully and Medoff argue that this rate of exploitation is due to the clubs' monopsony power in the labor market. Using a model only slightly more complicated (and which inexplicably antedates both of theirs), it can be seen that this is not the whole story. Conforming to common sense, some part of this exploitation is due to the cartel nature of the league, which restricts both the number of "firms" and the level of employment in each firm. Jazzing up the no-

¹Gerald W. Scully, "Pay and Performance in Major League Baseball," *American Economic Review*, vol. 54 (December 1974).

²Marshall H. Medoff, "On Monopolistic Exploitation in Baseball," *Quarterly Review of Economics and Business*, vol. 16 (Summer 1976).

tation from the earlier formulation,³ each team tries to maximize profits, or (ignoring nonplayer costs) to maximize

$$(1) \quad R(n_1, n_2, \dots, n_j) - \sum_{i=1}^j w_i(n_i)n_i, \text{ subject to } \sum_{i=1}^j n_i = k$$

where n_i is the number of players employed in each skill or specialty class, $i = 1, \dots, j$;⁴ $R(n_1, n_2, \dots, n_j)$ is total revenue as a function of the number of players in each class;⁵ $w_i(n_i)$ reflects the supply function for each class of players; and k is the league-imposed roster limit.

To maximize profits, the first-order conditions require that for each class of players

$$(2) \quad w_i(n_i) = R_i' - n_i w_i'(n_i) - \lambda$$

Thus λ , the shadow price of violating the roster limit, and R_i' (elevated by the restricted number of clubs) appear as factors representing the cartel forces by which all classes of players are exploited, while the more usual labor market monopsony factors appear in the second term on the right. Clearly, given a national stock of talent, as the number of teams in the league becomes large, λ would approach zero and R_i' would fall. Until then, franchises will continue to command millions of dollars (for the ostensible purpose of losing money!).

The formulation above serves to emphasize the various sources of exploitation which are intermingled in Scully's and Medoff's empirical work. With some rearrangement, we arrive at an expression for the class-specific rate of exploitation, X_i :

$$(3) \quad X_i = 1 - w_i(n_i)/R_i' = \lambda/R_i' + n_i w_i'(n_i)/R_i'$$

This expression can be applied to understanding some of Scully's and Medoff's divergent findings.⁶ As one compares the journeyman class of players with stars, one expects the rate of exploitation to fall: first, because of increasing R_i' , and second, because the star's ability to be treated as an individual (more or less a unique labor market for him alone) reduces the size of the monopsony variable on the right. Medoff's findings for hitters conform with the pattern, but Scully's do not. Medoff's results for pitchers go the opposite direction, implying that rises in the right-

³ James G. Scoville, "Labor Relations in Sports," in *Government and the Sports Business*, ed. Roger G. Noll (Washington: Brookings Institution, 1974).

⁴ Examples of these classes: stars, journeymen, and helpers (Scoville); mediocre, average, and star players, pitchers vs. nonpitchers (Scully and Medoff).

⁵ R is, of course, a "short-cut" function, emphasizing the connection between skill inputs and revenue in a particular city, via impacts on playing quality, winning percentage, and fan drawing-power. More econometrically appropriate forms are given by Scully and Medoff.

⁶ The results are hard to compare, since the two authors used different variable specifications, different data sets, and different statistical approaches. Medoff's econometric criticism (p. 115) of Scully's approach seems apt. Scully's negative *MRPs* for mediocre players also seem unlikely.

hand term outweigh declines from the "spreading" of λ —which suggests the curious idea that lesser skilled pitchers, with fewer years of experience (perhaps younger, too?), and thus a greater degree of uncertainty about their long-run potential have greater bargaining power than the established star pitchers.⁷ (Scully's results show no skill trend for pitchers, so perhaps we don't have to buy this notion.)

Scully found no difference in exploitation between hitters and pitchers, although Medoff found consistently higher exploitation of hitters. If hitters do in fact have higher R_i' ,⁸ then pitchers as a class must have substantially higher individual bargaining power than hitters, so that the lower right-hand term can more than offset a higher λ/R_i' . This does not seem unlikely, given the small number of pitchers on a team and their number of specialties (left-handed, right-handed, starters, relievers, etc.) and the need to tailor one's lineup to ballpark peculiarities and opposition strengths. In short, for pitchers the substitutes are not as readily available for the job at hand: one often reads the desperate complaint, "Who am I going to put on the mound?" Seldom is a manager confronted with such critical dilemmas regarding fielding or hitting assignments.

Expression (3) could presumably be used for a variety of other exercises: to assess long-term trends in exploitation, to evaluate impacts of the size and sporting quality of various cities, and to measure the comparative exploitation of players drawn from racial or educational groups with differing supply elasticities. Nevertheless, the limited value of such explorations should be recognized:

1. Ballplayers, like the rest of us, are presumably more concerned with the level of pay than with the level of exploitation, however measured. This suggests that we shift our focus more directly to questions of wage determination.

2. Disentangling trends or differences in R_i' and λ might prove extremely complex.

3. The machinery of exploitation in baseball is incomplete as compared (for example) with the Victoria Football League (Australia), where the cartel not only sets territorial and transfer rules, but purports to fix the level of pay for most players.⁹ Such an arrangement is likely to have a dramatic impact on the level of pay (around \$A 50 per game), as well as on the collective bargaining patterns that may emerge as a remedy.

⁷ Medoff's explanation (p. 119) seems to require that we accept this conclusion as well. How else can pitchers' productivity rise more rapidly than their pay?

⁸ On this question, the two authors' findings are diametrically opposed.

⁹ Braham Dabscheck, "Industrial Relations and Professional Team Sports in Australia," *The Journal of Industrial Relations*, vol. 18 (March 1976), p. 32.

4. Finally, the concepts and measurements of exploitation seem to bear little relevance to the results of salary arbitration in 1974 and 1975. Although the average arbitrated claim by players was "only" 44 percent (a drop in the bucket if players are exploited à la Scully), the clubs won 55 percent of the cases.¹⁰ Since these arbitration claims are presumably brought by the players who feel most exploited, one must conclude either that Peter Seitz was blind to reality or a total tool of the owners (who fired him), or that compelling arguments about wage structure and industry economics can be raised which the exploitation models have overlooked.¹¹

Collective Bargaining and Baseball Salaries

In an industry where individual workers' talents are highly diversified as are their levels of performance, the individual salary agreement remains the basic means by which pay scales are set. So far, collective bargaining in the industry has attempted to change rates of pay in three major ways: (1) by raising the minimum salary, (2) by increasing players' bargaining power through final-offer arbitration, and (3) by increasing players' bargaining power through challenges to and amendments of the reserve clause. It is often maintained that the total effect (particularly of items 2 and 3) will redound solely to the benefit of a handful of superstars (who don't need the money anyway), will grind down the wages of the lower skilled (through some version of the wages fund), sow dissension among the ranks, and generally damage baseball.

No pretense will be made of formally testing these charges. Instead, this section of the paper will take a brief look at the evolution of some aspects of baseball's salary structure over the past few years, to see whether they have any surface plausibility.¹²

Since 1969, the collective bargaining process has generated a 60 percent increase in the minimum salary, from \$10,000 to \$16,000. During the same period the CPI went up by 47 percent, so the real increase in minimum salary has been quite moderate. More dramatic are the changes

¹⁰ James B. Dworkin, "The Impact of Final Offer Interest Arbitration on Bargaining: The Case of Major League Baseball," Institute for Research in the Behavioral, Economic and Management Sciences, Paper No. 554, Krannert School of Industrial Administration, Purdue University, June 1976, pp. 8, 11 (presented at these meetings).

¹¹ The tight relationship between productivity and pay found by Scully (as cited, as well as Gerald W. Scully, "Discrimination: The Case of Baseball," in Noll) and Medoff suggests that it may be quite difficult to shift the whole wage structure through individual claims.

¹² The author is indebted to Richard Moss, General Counsel of the BBPA, for making available data and materials from which additional estimates have been made. The author is solely responsible for errors of calculation or interpretation. The author also apologizes for the rather simple level of analysis of these materials, due in large part to the fact that this paper was written in Geneva during the World Industrial Relations Congress, without benefit of computer.

TABLE 1
Average Salary in Baseball

Year	Average Salary	Percent Change
1969	\$24,909	....
1970	29,303	17.6
1971	31,543	7.6
1972	34,092	8.1
1973	36,566	7.3
1974	40,956	12.0
1975	48,130 (p)	18.0 (p)

(p) = preliminary. *Source:* 1969-74, Major League Baseball Players Association. 1975 estimate calculated by the author in great haste. BBPA figures not yet available in mid-September.

TABLE 2
Baseball Salary Distributions 1973 and 1975

Salary Range	Percent of Players	
	1973	1975
Under \$20,000	38.1	20.1
At minimum ^a	16.0	9.3
\$20,001-30,000	17.7	20.2
\$30,001-40,000	13.9	16.6
\$40,001-50,000	10.0	10.8
\$50,001-60,000	5.1	7.2
\$60,001-70,000	4.9	6.5
\$70,001-80,000	4.1	6.1
\$80,001-90,000	1.1	2.8
\$90,001-100,000	1.3	3.1
\$100,001-120,000	1.3	3.1
Over \$120,000	2.5	4.5

^a Minimum salary, 1973, \$14,000; 1975, \$16,000. *Source:* Material provided by BBPA.

in average salary, summarized in Table 1. As can be seen in Table 1, the average salary in baseball has just about doubled in the course of six years. By contrast, average weekly earnings in the U.S. increased by roughly 43 percent in that period.

Evaluations of the changes in the distribution of salaries which have accompanied these increasing averages and minimums are somewhat more difficult. From materials provided by the Players' Association, it has been possible to construct salary distributions for 1973 and 1975, which are given in Table 2.¹³

The dramatic fall in the proportion of players at the minimum suggests that bargaining power, either individual or collective, is not confined to those players with extraordinary skills. On the other hand, the population of the higher salary classes has been increasing rapidly: in two years the percentage of players getting over \$100,000 has doubled, to 7.6 percent of the total.

¹³ But for lack of time, estimates could have been made for 1974 as well.

Given the shortage of time and the lack of computational facilities, it has been possible to construct only one summary measure of trends in income distribution in baseball. If the superstars were deriving most of the advantage from collective bargaining, we would expect the ratio of average salary to median salary to rise. This is perhaps not a very sensitive measure of income dispersion and skewedness, but the figures shown in Table 3 are the best that can be done at this time.

TABLE 3
Income Inequality in Baseball

	1973	1975
Mean salary	\$36,566	\$48,130
Median salary	\$27,000	\$36,000
Ratio of mean to median	1.35	1.34

Source: Medians and 1975 mean estimated by the author from materials provided by the BBPA.

By this measure, it does not seem that the recent collective bargaining experience has produced the kind of "dual labor market" (with one part prospering at the expense of the other) suggested by skeptics and anti-union sportswriters. Unfortunately, these data apply solely to the "pre-Messersmith" era¹⁴ and give us no clue as to whether a new breed of super-salariat will emerge from the new free-agent draft system (where a free agent could be dealing with a dozen teams). For one thing, it is unclear how vigorously clubs will compete in the labor market, although the amount of competition should obviously be more than in the past. However, "interdependence recognized" may reduce the competition, and mitigate the effects of the new arrangements. From the players' side, the effects may also be somewhat less than pessimists fear; after all, the new system does not guarantee that a player will gain. An aspiring star, hoping to leap into the \$100,000 class or beyond, may have his labor market allure dimmed by an injury or bad year and find himself a loser on pay. If the winners and losers in this gamble are fairly evenly split, then the impact on salary distribution should be minimal.¹⁵

Conclusions

Recent studies of wage determination in baseball have tended to emphasize the level of player exploitation from labor market monopoly.

¹⁴ For those who don't read the sports page, this refers to the arbitration decision which created the possibility of genuine free agents in the baseball labor market. The decision is found at 66 LA 110.

¹⁵ For a discussion of the new arrangements and some ideas how a player could lose, see Larry Keith, "Rudi as in Booty, Grich as in Rich," *Sports Illustrated*, vol. 45 (August 30, 1976), p. 17.

Other sources of exploitation can be identified, and the model used to suggest which groups of players "must have" greater bargaining power than others. Nevertheless, the current measurements of exploitation seem to have little relevance to the process of wage determination as modified by collective bargaining.

A second strand of argument, more popular in nature, maintains that the result of the new procedures and increased market power for players provided by collective bargaining agreements and arbitration decisions will artificially widen baseball's salary structure, creating an elite caste of superstars at the expense of other players. We have looked at the recent evolution of baseball salary structure and found little or no evidence that this has been the case. When the salary data for the first post-Messersmith year (1976) are in, it will be good to take another look at this question.

Are Professional Sports Sports or Business?

or

How Much Would You Pay for Catfish Hunter?

PETER SEITZ
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A man has a right to stand up and protest when he is characterized in objectionable terms. I regard “discussant” to be one of the most evil-sounding words in the tongue I love. It stretches and strains onomatopoeism beyond its normal boundaries (or what some of my Madison Avenue friends or academic social scientists would call its “normal parameters”). I serve as a discussant; but this will not deter me from exercising my First Amendment rights with respect to the subject of this discussion.

With so much of Dr. Scoville’s paper as is expressed in the language I was taught at my mother’s knee, I find no fault or flaw. That portion expressed in statistical formulations, I accept on faith because I have no reason to believe that Dr. Scoville or his computer would deceive me.

As the NBA Arbitrator and the former “permanent” baseball Arbitrator (so called), I learned rapidly that taxi-drivers, telephone repair men, doormen, security guards, stockbrokers, and union stewards knew much more about professional sports and, in particular, the disputes that were before me for hearing and decision than I could ever hope to know. Some of this knowledge was self-inflicted, so to speak. Most of it came from the misinformation supplied by sportswriters and sportscasters. Burke having been loath to indict a nation, I am reluctant to bad-mouth all of the deep thinkers and investigative reporters who write about sports. Some of the sportswriters are precious and distinguished ornaments of our society; some others, whose first names will not pass between my lips, are sycophants, massively ignorant, and are gratuitously malicious gossips. If I were Plato, instead of banishing poets and musicians from The Republic, I would exile some of these Neanderthal intellects who write about sports. I should be pleased to expand on this in the question period, if asked.

One of the preferred subjects for deep and earnest economic discussion among these savants and mavens of professional sports is the allegedly extravagant pay to professional athletes. They hold forth on this topic vociferously, and with righteous indignation, referring to the salaries of the Catfish, Messersmith, Jabar, Pelée and whomever, ignoring

the fact that the high salaries are paid to the superstars and that most of the players on professional sports teams are paid salaries that nobody would regard as extravagant considering the relatively short period of an athlete's career.

What is it that so enrages them about the high salaries of professional sports players? Does it occur to them to compare sports salaries with those in other parts of the entertainment world? When compared with the emoluments of Robert Redford and Barbra Streisand in pictures, Barbara Walters and Howard Cossell in TV, Bob Hope and the stand-up Las Vegas comedians, prestigious rock stars and others, the salaries paid to professional sports players do not seem to be exorbitant. Those who inveigh against the deal made with the Catfish do not ask what George Steinbrenner or Charles O. Finley makes in a year, after taxes. Nor do they inquire as to the compensation of top officers of large public corporations. The uninformed criticism seems to be based upon the belief that society knows how to determine an appropriate salary for personal services. Despite excellent studies of methods of wage determination made by Irving Bernstein and others, I do not believe this to be so. Through collective bargaining or interest arbitration, if need be, we set or fix wages by applying conventional or agreed-upon standards. Those standards, however useful in aiding us to decide, give me no confidence that the right, true, or just compensation has been determined. Mostly, we fix wages by applications, in various ways, of the comparability criterion. This may make the wage determination acceptable; it doesn't make it right.

For that matter, who knows what personal services are worth or how to compute that worth? Machinists of equal skill, working for different employers or industries differing in profitability, are compensated at different wage rates. Usually this does not give us concern, nor are we aroused by a sense of extravagance or injustice when a mechanic in the television industry receives a higher wage rate than one in the textile industry. We know no more of how to fix the salary rates of Catfish Hunter or Jabar than of Isaac Stern, Birgit Nillson, Mohammed Ali, or the President of General Motors! The Soviet Union, apparently, under its planned society system, has no trouble whatsoever in determining precisely what compensation should be paid to a World Champion weight-lifter, a basketball player, a sprinter, a hockey player, or a diver! Neither does it have any trouble in determining what wages and fringe goodies musicians, members of official artistic and cultural organizations, or scientists shall receive. Professionals there seem to be earning what the government decides is appropriate for them to earn—a conception which, if he pondered it, would send a chill even through the icy circu-

latory system of Mr. Charles O. Finley. In this society, however, at least in theory and policy, we believe that the compensation of talented professionals, corporate officials as well as players in professional sports, should be determined, primarily, by the market. Whether that market is a truly free market and operates justly to achieve its objectives and missions is the question behind much of the turbulence and brouhaha in professional sports. I perceive no rampant socialism among franchise owners, players, or their organizations that would lead them to advocate that wage rates in professional sports should be fixed somewhat as they are in the Soviet Union. Despite the horror expressed with respect to excessive salaries paid to professional sports athletes by unthinking critics, I have heard of no responsible substitute for market determination as to the manner of fixing compensation.

That the market is not as free as it should be seems to be generally accepted except by some franchise owners who are unwilling to share power and are unable to read the writing on the wall. One of the impediments to freedom in the market, according to a growing number of court decisions, is the reserve system which exists in a number of professional sports. Viewing professional sports as a conventional business undifferentiated from the business of making nuts and bolts or breakfast cereals, these franchise holders are unwilling to surrender any of the incidents of power that have enabled them to control the manner in which their business enterprises will operate.

Despite the curious ending of the *Flood* case in the Supreme Court, there can be no doubt that professional sports are business. The enormous amounts of money made available in recent times by TV revenues have had the effect of making professional sports Big Business. Without such massive revenues and the availability of tax shelters and write-offs permitted by the tax laws, it is doubtful that the franchise owners could afford to pay the kind of money they agree to pay to the stars. It is worth observing, at this point, that the club owners who pay those high salaries are not economic innocents but sophisticated financial operators smart enough to have made a bundle in more mundane enterprises.

It is not my purpose here to advocate a change in the tax laws or to suggest any different method of allocating broadcast revenues. I simply do not know enough about the subject. As an arbitrator, I am acutely aware that all I know about professional sports is what I have perceived through the crack in the door afforded by the evidence in the disputes I had heard in baseball and basketball, by what I know as a fan, and by what I learned from reading the likes of Red Smith. My observations tell me, however, that the high players' salaries are only a symptom of a general problem in professional sports, and if that prob-

lem is not faced squarely by all involved in such sports, the indications for the future may be dire.

Manifestly, we are going through a turbulent and difficult transition in the growth and maturation of professional sports as it emerges from its origins in amateur sports—a transition that is accelerated by the flow of dollars from broadcasting and other sources. The members of the interested public—those who support professional sports by going through stadia turnstiles with tickets and those who sit endlessly before their TV sets at home—have no deep and abiding interest in the economics of professional sports in its role as Big Business, any more than they have an interest in the profit and loss reports of the Basic Steel industry. There are no loyal and enthusiastic fans of ITT, General Motors, or U.S. Steel. The faithful adherence of the fans to the fate of a club and the interest of the public is based upon their conception of basketball, baseball, football, hockey, and tennis as competitive games in which the contests are carried on under a code of fair and just practices and with recognition of the virtues which an earlier public perceived in amateur sports. If baseball, for example, is conceived by the public only as a commercial enterprise for the enrichment and ego-satisfaction of plantation owners and what appears to it to be out-of-line compensation for greedy gladiators in the Coliseum, its rapture is not for long. Something more is needed to nourish fan-enthusiasm than a contest between General Motors and Ford as to who can sell the most cars and make the most money employing whatever means are at hand—including, for example, girls in bikinis extolling the mechanical virtues of their respective products. The French had a word for it: “pour le sport.”

In an unusually prescient and reflective moment, before the Society of American Newspaper Editors in 1925, President Coolidge made the arresting statement that “The business of America is business.” To be equally sapient I must say that the business of professional sports, although it must be financially sound and stable, has to be something more than business. The courts have declared most professional sports to be business within the scope of the antitrust laws. But if the action of the judiciary, in claimed violation of public laws, is to shape the future of professional sports rather than the owners of the club franchises, the players, and their organizations, the future for the best development of professional sports is unpromising.

There can be no question (as I stated in my Messersmith reserve system decision in baseball) that the financial stability of the sport is necessary to encourage investment and the job security of players. Also, that if a sport is to attract interest and fan support, parity in competitive skill among teams must be assured. Most of the newspaper comment

on the Messersmith decision ignored my statement of those convictions, as did the baseball leagues which gave me my pink slip before my signature was dry on the arbitration award. But even beyond these important considerations, it seems to me imperative for the integrity of the sport and its capacity to hold a mass audience of fans that it be conducted in a manner that will ensure fairness and justice— not only on the playing fields but in arrangements between clubs and in arrangements between clubs and players. I have confidence that good-faith negotiations between organizations of club owners and players can achieve success in effecting an accommodation between the interests of the employers and the employees that will serve to meet the reasonable needs of both groups. Such accommodations, I should think, would avoid the necessity for club owners to spend more time in court rooms with their lawyers than they have, recently, in the sports arenas with their players. The players have to remember that professional sports could not exist unless they were conducted soundly as a business. The club owners have to remember that although professional sports have come late to the American world of collective bargaining, they have arrived there, indeed, and that unless the clubs cooperate in making the process work, they must look forward to turbulent relations with their employees and, possibly, government regulation. It is unlikely that we shall go the way of the Soviet Union in its organization of amateur and professional sports; but if professional sports are viewed exclusively as the commercial ventures of franchise holders, there are plenty of historical precedents to give the club owners apprehensions. In our society, big business, when it trenches upon the public interest and welfare, becomes a candidate for government regulation. As professional sports involve larger and larger sums of money and take a more prominent place in the economic society, the regulatory hand of government will not be stayed. The legal immunities enjoyed in the past, when professional sports were going through the adolescent period, will no longer be available.

Professional sports are an important part of American life. Every fan is a potential Walter Mitty batting a homer or catching a forward pass in the end zone. Those of us who never were or who no longer are athletes live vicariously whether at Forest Hills or at Wrigley Field or in Madison Square Garden. If professional sports become no more than business and the attractive virtues of amateur sports are lost, enthusiasm will be rapidly dampened. The health of professional sports, in the future, turns on the ability of owners and players to understand that (as the inscription above the Archives Building in Washington, D.C., declares) "Past is Prologue"; that this is a period of radical transition in many aspects of our national life; and that professional sports must adjust and change with the times if they would survive.

XII. INDUSTRIAL CONFLICT RESOLUTION

The Study of Conflict: Hope for a New Synthesis Between Industrial Relations and Organizational Behavior?

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It has been 12 years since Walton and McKersie published their landmark *Behavioral Theory of Labor Negotiations*.¹ As the first major attempt to integrate the organizational behavior (OB) and industrial relations (IR) approaches to conflict, it had its gaps and imperfections, but I fully expected that these would be quickly remedied by a torrent of research inspired by this example. For a long time it seemed that this torrent would never develop and that their work would stand in lonely isolation, a monument most certainly, but an inspiration for few researchers. Instead research on the collective bargaining process withered away, and there was almost no effort to bridge the gap between the typical IR approaches and those of the behavioral sciences—this despite the fact that within the behavioral sciences there has been continuing interest in conflict in areas outside IR. Developments over the last year or so, however, provide some modest hope that there may be a new creative synthesis between the fields that will revive collective bargaining research and enrich the behavioral sciences generally.

This paper has four objectives: to explain the decline in collective bargaining research, to summarize the main trends in the study of conflict outside IR, to pinpoint some of the recent promising developments, mentioned above, and, finally, to argue the need for more broad-reaching theory and research.

The Decline of Collective Bargaining Research

The *Behavioral Theory* was not without forebears. Conflict and conflict resolution have long been among IR's central concerns. It was

¹This paper has been improved by the suggestions of David Bowen, Henry Coleman, Peter Feuille, Robert Flanagan, Thomas Kochan, Roger Lamm, and Jeffrey Pfeffer.

chiefly because of fear of strikes and their consequences in the immediate postwar period that this Association, as well as most IR departments, schools, and institutes, were formed. Among those involved in discovering the "Conditions of Industrial Peace" during 1945-55 were Bakke, Harbison, Dubin, McGregor, Scanlon, Golden, and others in what might be called the National Planning Association group. Although the majority of these early students were economists, their focus was interdisciplinary; there was much concern, for example, with rank-and-file attitudes, pressure group activities, and the importance of symbolism in collective bargaining.

Since 1955, there have been some important studies by Chamberlain, Kuhn, and Stevens, and some recent research in the public sector. Aside from this work, however, the main concern of those interested in union-management relations has been on the *results* of collective bargaining (on wage rates, racial differentials, inflation, etc.) rather than on collective bargaining *process*, and there has been little interdisciplinary research of any kind. Why?

1. By mid-1950, the American system of industrial relations was well established and working. Strikes had not been eliminated—on the contrary—but we had learned to adjust to them. Indeed, during the 1960s and 1970s our IR system was one of the few relatively stable institutions in American life. Except for those on the extreme left and right, few questioned its premises or even its workings.

2. Some early scholars may have set the unrealistic, even undesirable goal of eliminating all conflict. But a backlash set in. As Derber put it, "By the end of the fifties, there was substantial consensus that the conflict-continuum was not, by itself, a fruitful avenue to pursue."² Thus the search for industrial peace was largely abandoned.

3. Since 1960, the pendulum in most of the academic social sciences has swung from interdisciplinary work, institutionalism, and casual empiricism to theory-making, theory-testing, and quantification (the latter in part the result of computers). There was a tendency to pull away from "big picture" institutional-societal studies (such as those by Kerr, Dunlop, Harbison, and Myers) to deal instead with limited propositions that could be precisely stated and quantitatively tested.

4. Finally, the remaining institutionally oriented researchers may have too narrowly focused their attention on industrial relations as a unique phenomenon, instead of viewing it as merely one form of human

²Milton Derber, *Research in Labor Problems in the United States* (New York: Random House, 1967), p. 77. Derber adds, "This judgment was reinforced by the widespread repudiation in management circles of the peace-centered human relations value system to which Elton Mayo and his followers had given great stimulus."

behavior; and so developments in related behavioral sciences were largely ignored.

Growing Interest in Other Fields

While interest in conflict and conflict resolution slackened within industrial relations, it grew rapidly in other fields, most notably in bargaining theory, organization development, and organization-environment studies (the last two constituting part of what has come to be known as OB). Little of this work deals with industrial relations directly, but much of it offers insights into industrial relations problems.

BARGAINING THEORY

Originating largely as game theory, bargaining theory has spread out from its primarily economic origins to bring in psychologists, sociologists, and political scientists. One stream of effort has involved the development of rigorous mathematical models. Another makes use of laboratory experiments, through which bargaining students have learned to specify the impact on bargaining behavior of a wide variety of personality and cultural variables. Even model-builders have relaxed their assumptions of rational, economic man; and greater attention has been given to the path by which agreement is reached.

Unfortunately the impact of these studies on industrial relations research to date has been largely peripheral. The work of the pure theorists makes too many simplifying assumptions, while the laboratory experiments can examine only a few variables at a time. Thus bargaining theory makes little allowance for such complexities as mixed-motive situations, past history, the socioeconomic environment, *intraorganizational* bargaining, or the institutional needs of the parties. Nevertheless the piecemeal efforts of bargaining students are leading to the development of a mass of interrelated concepts which, taken together, may have more utility than any of its parts.³ For example, bargaining theory provided the justification and, perhaps in small degree, the impetus for the growing adoption of "either-or" arbitration in the public sector.⁴

ORGANIZATION DEVELOPMENT

OD has looked upon conflict resolution as its special province. OD specialists have reported considerable success in reducing conflict within

³For an attempt to apply bargaining theory to industrial conflict resolution, see Walter Morely Balke, Kenneth R. Hammond, and G. Dale Meyer, "An Alternate Approach to Labor-Management Relations," *Administrative Science Quarterly*, vol. 18 (September 1973), pp. 311-27. For criticism of this approach, see D. Quinn Mills, "Managing Human Relationships," *Organizational Dynamics*, vol. 3 (Spring 1975), pp. 35-50.

⁴See Carl M. Stevens, "Is Compulsory Arbitration Compatible with Bargaining?" *Industrial Relations*, vol. 5 (February 1966), pp. 38-51

management and other work groups (at least in the short run). Their goal is to help parties understand each other and thus increase trust and reduce stereotyped thinking. However, they have been interested primarily in conflicts *within* organizations. They have devoted little attention to collective bargaining, and their few attempts to deal with this subject⁵ have failed to cope with the dynamics and complexity of the bargaining process, perhaps for the following reasons:

1. OD people are used to dealing with problems in hierarchical organizations which have certain superordinate, overriding values to which all members subscribe. As a consequence they assume that the parties enjoy a congruence of goals and that the main impediments to agreement are misunderstandings, personality differences, and what are frequently called "immature," "nonauthentic" relations.

2. Given this widespread faith that properly approached (with trust and authenticity) most problems yield to "win-win" solutions, OD people are poorly equipped to deal with bargaining, the use of power, or with what game theorists called zero-sum game situations. Some of the standard (and most successful) tactics in distributive bargaining—bluffing, threats, feigned anger, and exaggeration of the degree to which one's own position is fixed—are counterindicated by OD theory. OD tries to convert distributive into integrative bargaining, even where objective conditions of scarce resources make win-win solutions impossible.

3. OD people generally have had little experience with relations between *independent organizations* and tend to approach all problems in purely face-to-face terms. Thus they may underestimate the importance of the social-political-economic determinants of conflict. Further, since their orientation is psychological rather than sociological, they tend to assume that participants in conflict situations are free agents rather than representatives, subject to role requirements and constituency pressures.

Despite these limitations, I believe that with appropriate modifications a number of OD insights and techniques have application to collective bargaining. These relate particularly to reduction of communications barriers and increasing participation in decision-making. For example, mediation might be extended to grievance handling, even down to the steward-foreman level; also preventive mediation might be encouraged.⁶ OD insights are likely to be useful chiefly in the *intraorgani-*

⁵ Roy J. Lewicki and Clayton P. Alderfer, "The Tensions Between Research and Intervention in Intergroup Conflict," *Journal of Applied Behavioral Science*, vol. 9 (1973), pp. 424-49; Robert R. Blake, Jane S. Mouton, and R. L. Sloma, "The Union-Management Intergroup Laboratory: Strategy for Resolving Intergroup Conflict," *Journal of Applied Behavioral Science*, vol. 1 (January 1965), pp. 15-57.

⁶ For a more general discussion, see George Strauss, Raymond Miles, Charles Snow, and Arnold Tannenbaum, *Organizational Behavior* (Madison: IRRA, 1974), pp. 210-16.

zational bargaining which accompanies the formulation of positions and the selling of the agreement. But even during the interorganizational bargaining which occurs at the bargaining table itself, OD techniques may be helpful in facilitating those aspects of the bargaining process which are appropriately integrative.

ORGANIZATION-ENVIRONMENT STUDIES

Some of the most interesting research on conflict theory today has been done by sociologists interested in applying multivariate quantitative techniques to the study of organization-environment and technology-organization relations. Though we have only a few studies so far directly relating to industrial conflict (e.g., the work of Kochan and Stern), much of the work is relevant to industrial relations. In this context, union-management relations are but one form of interorganizational relations, while strikes are but one form of collective action. The stress is not on individuals, but on *organizations* which are viewed as open systems constantly "bargaining" with their environment. In contrast to OD psychologists, these sociologists take economic factors into account. They recognize that organizations have multiple goals, that there are real conflicts of interest over scarce resources (both within and between organizations), and that power is a primary method of settling conflict.

Arguably this research has had little practical value. Sometimes these sociologists put method above substance, and sometimes their labors lead to quantitatively exact answers to trivial questions. Certainly, since they are more interested in conflict than in conflict resolution, their studies lack the moral urgency or how-to-do-it flavor of OD studies. Still their work suggests how changes in environments may (and may not) be used to affect the level of industrial conflict. Thus Kochan's research further strengthens the position of those who argue that the multilateral character of public employee bargaining is unlikely to be reduced by either a reorganization of management structure or by the passage of time.⁷

To summarize: Bargaining theory helps us understand specific elements within the bargaining process and the influences affecting it, but still has only limited practical applications, and its main insights are chiefly into distributive, zero-sum situations. OD is of use primarily with integrative and intraorganization bargaining. And the chief value of organization-environment studies are in helping us understand (and even change) the environmental influences which impinge on bargaining. Nevertheless the gap between the various approaches to conflict and conflict resolution remains vast, making each of the approaches somewhat unrealistic and incomplete.

⁷ Thomas Kochan, "City Government Bargaining: A Path Analysis," *Industrial Relations*, vol. 14 (February 1975), pp. 90-101.

Signs of Convergence

Despite the somewhat gloomy picture painted above, we already know a fair amount about the behaviors and attitudes associated with both integrative and distributive bargaining. (The challenge is to expand the first and to harness the latter for useful ends.) Further, there are early (still weak) signs of a healthy convergence bringing together the various academic fields and also theorists, empirical researchers, and practitioners.

TEACHING IN BUSINESS SCHOOLS

OB teachers with an OD bent have begun to show greater interest in power and bargaining.⁸ Dartmouth, UCLA, and Carnegie-Mellon are among the business schools now teaching courses on negotiations and conflict management, although as yet little of this deals with IR. Still we may be seeing the early stages of the development of an applied science of bargaining which draws on OD and bargaining theory—one which is realistic, yet more systematic than the shrewd insights of practitioners.

TRAINING IN COLLECTIVE BARGAINING

There is also increasing interest in teaching the art of collective bargaining.⁹ Bargaining games are growing in variety and sophistication and are being used in an increasing number of labor and management programs (including the AFL-CIO Labor Studies Center).¹⁰ The designers of IR-related courses could learn from the designers of OB-related courses, and vice versa. Even though training will never eliminate strikes, inexperience and lack of skill may easily cause these to occur when they are unnecessary. Bargaining classes may also be useful to the instructor, since they force him to apply his theories and thereby test their practical relevance.

⁸ David Bradford and George Strauss, "OB of the Present and the Future," *Teaching of Organizational Behavior*, vol. 1 (December 1975), pp. 3-8. Kenneth W. Thomas, "Non-Collaborative Conflict Behaviors as Legitimate Management Skills: An Argument for Multi-Dimensional Values in the Teaching of Organizational Behavior," Working Paper 75-6, Graduate School of Management, University of California, Los Angeles (1975).

⁹ For an example of a book which adopts Walton-McKersie style bargaining theory for the practitioner, see G. G. Atkinson, *The Effective Negotiator* (London: Quest Publications, 1975).

¹⁰ A straw in the wind, possibly indicating labor interest in OD techniques, the first issue of the new journal for labor educators carries an article describing an almost classic OD effort with a group of foremen and stewards conducted by a labor educator. Terrance Connors, "Impressions of Joint Stewards-Foremen Class in Human Relations," *Labor Studies Journal*, vol. 1 (May 1976), pp. 52-59

MEDIATION

The Society of Professionals in Dispute Resolution (SPIDR) has scheduled two sessions on research on impasse resolution for its October 1976 meeting, and a number of groups have begun to study the mediation process, thus reviving the research area which thrived during the 1950s.¹¹ Although it defines its current focus rather narrowly, SPIDR could facilitate the transfer of dispute settlement skills from one area of conflict to another. OD "third-party inventionists" and IR mediators could try to learn from each other (although possibly the mediator has more to teach the interventionists than vice versa—particularly since the mediator may well be able to function in both the integrative and distributive modes, while the OD person may be an expert only in the former). Recent FMCS innovations, such as technical assistance and the RBO (Relationships by Objectives) program, are in the best OD tradition.

QUALITY OF WORKLIFE

The Quality of Worklife movement may help integrate OB and IR at both the academic and applied levels. Of particular interest are several experiments involving both labor and management monitored by the National Quality of Work Center. Besides improving worker satisfaction and organizational productivity, these experiments (if successful) should demonstrate how to develop new forms of productive union-management interchange which will supplement (but never supplant) the now traditional, almost ritualized forms of distributive bargaining.¹² If, as I suspect likely, governmental pressures, such as EEOC, OSHA, and the growing frequency of wage-price controls, reduce the scope for traditional bargaining, then this new integrating bargaining role may become increasingly important and provide new opportunities for members to participate in making important decisions through their union.

Toward More Broad-Reaching Theory and Research

At the academic level, sociologists, psychologists, and economists seem to be slowly converging toward a set of interdisciplinary theories dealing with disputes and dispute resolution. So far these theories largely ignore IR, and IR has largely ignored them. We need to work toward

¹¹ See the works of Douglas, Landsberger, Lovell, and Kerr. For a summary of early research, see Charles M. Rehmus, "The Mediation of Industrial Conflict: A Note on the Literature," *Journal of Conflict Resolution*, vol. 9 (1965), p. 118.

¹² See Thomas A. Kochan and Lee Dyer, "A Model for Organizational Change in the Context of Labor-Management Relations," *Journal of Applied Behavioral Science*, vol. 12 (January 1976), pp. 59-78. Among those working in this area are James Driscoll, Leonard Schlesinger, Richard Walton, and William Whyte.

some sort of cross-fertilization in which (a) collective bargaining is integrated into a general theory of conflict, and (b) sociological and psychological insights are applied to collective bargaining.

ADDING COLLECTIVE BARGAINING TO GENERAL THEORY

A general theory might incorporate the *process* of collective bargaining into the main structure of the behavioral sciences, much as economists have incorporated the *results* of bargaining into the mainstream of economics. Such a theory, for example, might place industrial collective bargaining in its proper niche within the family of bargaining relationships. It might indicate the commonalties *and* differences between collective bargaining and international relations, for example, or family conflicts, or vendor-purchasor relations. Further, it might explain why IR techniques were so difficult to apply during the 1960s in the context of racial negotiations and student-university conflicts.

REINFORCING COLLECTIVE BARGAINING THEORY

Applying sociological and psychological insights to collective bargaining will not be easy. As a first step, I might suggest the time is ripe for a revised edition of Walton and McKersie. Among the inputs which such a revision might draw upon are the following: (1) recent research testing the authors' original models;¹³ (2) their own post-1965 contributions, e.g., to our understanding of third-party interventions, racial negotiations, and productivity bargaining; (3) the insights arising out of government sector studies dealing with such subjects as the "narcotic effect" of compulsory arbitration; and finally (4) those portions of the numerous developments in bargaining theory, OD, and organization-environment studies which are relevant to collective bargaining (and distilling their relevance may be the most difficult part of the task).

RESEARCH

Of course, more research is needed. The insights developed from game theory and laboratory experiments need to be tested in real-life industrial contexts, among other means by careful observation of the participants and through analysis of documentary evidence.¹⁴ We also need a revival of studies dealing with the conditions for industrial peace. The original studies generated a large number of implicit hypotheses

¹³ E.g., Richard B. Peterson and Lane Tracy, "Testing a Behavioral Model of Labor Negotiations," *Industrial Relations* Vol. 16 (February 1977), pp. 35-50.

¹⁴ For examples, see Ann Douglas, *Industrial Peacemaking* (New York: Columbia, 1962), and Yochanan Comay, Arie Melnik, and Abraham Subotnik, "Bargaining, Yield Curves, and Wage Settlements: An Empirical Analysis," *Journal of Political Economy*, vol. 82 (March 1974), pp. 303-13.

which should be extended and tested, perhaps through use of quantitative methods, to determine the extent to which they still hold up after 25 years.

POLICY IMPLICATIONS

A general theory might even help us reevaluate the American bargaining system. By law and custom, we have frozen this system into an adversary mode in which differences are ultimately settled by seeing which side can do the greatest harm to the other (without excessive concern for externalities, such as to costs to third parties or the general public). The IR Establishment has convinced itself that this system represents the best of *practical* worlds. As a member of this Establishment, I tend to agree: in general our system has served us well. Nevertheless our consensus is somewhat disturbing, for it leads to complacency. Labor relations in coal is in a bad way. The 1976 San Francisco city employee stoppage hurt chiefly the poor, elderly, and disabled. We have been successful so far in avoiding a nationwide Teamster strike, but the cost of doing so (in terms of skewed wage relationships) may eventually become too high. Today, we tend to shrug off such possible inequities as among the inevitable costs of a free collective bargaining system (just as early Victorians shrugged off the poverty and cruelty of the industrial revolution as among the inevitable costs of the free enterprise system). I am not convinced that collective bargaining has been working with such perfection that we can afford to give up trying to improve it (or even possibly examine alternatives to it).

Conclusion

An interdisciplinary theory of conflict and conflict resolution might provide the basis for a healthy criticism of our present IR orthodoxies. It might also lead back to the interdisciplinary collaboration which marked the 1940s and 1950s. It may even provide a renewed link between IR and OB.

Worker Interests and Managerial Interests: The Need for Pluralism in Organization Development¹

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One of the primary themes of organization development (OD) has been integration: integrating the individual with the organization, integrating the efforts of different individuals in a work group, of different departments within an organization, finding win-win solutions to conflicts, achieving consensus, and so on.²

These are noble goals. Scholars from other disciplines have observed that to oppose them would be tantamount to "opposing home and motherhood,"³ or to "shooting Smokey the Bear for sport."⁴

Nevertheless, in talking with colleagues and practitioners in industrial relations, I have repeatedly heard the view that much of organization development is impractical or naive for dealing with a significant proportion of IR problems.

My interpretation of this criticism is that OD, in emphasizing integration, has to a large extent neglected realities of *differentiation* and *pluralism* within organizations. As the case in point, OD theorists have often treated the conflicts of interest between workers and management as more apparent than real. Many of my OD colleagues, in fact, appear to regard collective bargaining as a *cause* of conflict of interest, rather than a result.

The remainder of this paper makes the contrast between pluralism and mainstream OD theory concrete through an exposition of some divergent interests of workers and managers, and then draws some implications for the field of OD. I am concerned that parts of this analysis will sound familiar (and even obvious) to theorists and practitioners in

¹ I would like to thank Ron Wolff for his help in reviewing the literature and in refining some of these ideas, Fred Meyers and David Jamieson for their comments on an earlier draft. Part of this work was supported by the Graduate School of Management, UCLA.

² For recent reviews of OD, see Frank Friedlander and L. Dave Brown, "Organization Development," *Annual Review of Psychology*, vol. 25 (1974), pp. 313-41; W. Warner Burke, "Organization Development in Transition," *Journal of Applied Behavioral Science*, vol. 12 (January-March 1976), pp. 22-43.

³ Edward Peters, "Crisis Bargaining—1965," *Personnel Journal*, vol. 44 (October 1965), pp. 464-68.

⁴ James A. Lee, "Behavioral Theory vs. Reality," *Harvard Business Review*, vol. 49 (March-April 1971), pp. 20-28, 157-59.

IR. However, these ideas are far from familiar to the field of OD, and it is primarily for that reason that I am trying to spell them out.

Workers' and Managers' Interests

To entertain the view that workers and managers have different, conflicting interests is not to say that those interests are totally different or totally conflicting. It is only to recognize that workers' primary interests are likely to vary from managers' because they have less direct responsibility for the organization's performance, less formal power and authority, different career prospects, and so on. It is also to entertain the possibility that those differences are not fully compatible.

Table 1 shows several fundamental issues concerning the relationship between workers and management (or between workers and their jobs). Listed for each issue are the viewpoints (or doctrines) on that issue which I presume to be in the best interests of workers and management, respectively. Formally, these presumptions have the status of first-generation hypotheses. Operationally, the hypotheses would be that, if given a chance to discuss these issues in separate groups and then asked to choose between the five pairs of doctrines, managers and workers would show differences in preferences in the directions predicted by the table. It could be further hypothesized that these differences would be greater for blue-collar than for white-collar workers.

TABLE 1
Viewpoints (Doctrines) Supporting the Interests of Management
and Workers on Five Central Issues

Issue	Preferred Management Doctrine	Preferred Worker Doctrine
1. Commonality/diversity	Emphasize commonality of interest—importance of teamwork toward organizational goals.	Want opportunity to identify own interests and how they differ from management.
2. Rewards	The most important rewards are intrinsic.	Intrinsic rewards are not a substitute for extrinsic rewards.
3. Worker rights and power	Power and rights are delegated in accordance with individual performance and skill acquisition.	Power and rights can be asserted through coalition.
4. Responsible behavior	Behavior which interferes with organizational goals is irresponsible.	Workers have the right to define what is "responsible" for themselves.
5. Trust vs. adversary strategies	Workers can trust management's enlightened attitudes and benevolence.	Some benefits must be secured through formal, adversary settlements.

1. COMMONALITY/DIVERSITY OF INTERESTS

Management needs worker cooperation. To the extent that there are incompatibilities between the interests of workers and management, it is to management's advantage to play them down and to emphasize the importance of cooperation in the service of organizational goals. This is a prevalent theme in the management literature from Fayol to Koontz and O'Donnell.

On the other side, to the extent that there are conflicting interests between workers and management, cooperation toward management's goals necessarily means a sacrifice of worker interests. It is to workers' interests not to accept this management doctrine uncritically, but rather to identify their own primary concerns and to decide for themselves how they differ from those of management. Chesler and Lohman,⁵ for example, have emphasized that less powerful organizational groups need to develop the skills to define their own interests, and Culbert⁶ has emphasized the need for individuals to avoid the "organization trap" by consciousness-raising to articulate their own frustrations and needs.

2. THE NATURE OF REWARDS

It is to management's interest to stress the importance of intrinsic rewards for workers—satisfaction which comes directly from perceiving that one has performed one's job effectively, that one's job is important, etc. This form of incentive is less expensive than extrinsic rewards, most notably money. Intrinsic motivation also requires less supervision and is more likely to tap the employee's ingenuity. Accordingly, management is likely to perceive individuals who exhibit such motivation in more positive terms—as "mature" and "self-actualizing" in the words of Argyris and Maslow.⁷ It is to top management's monetary advantage to promote increased intrinsic motivation through job enrichment and similar programs.

On the other hand, it is to the workers' advantage to emphasize the incentives which fit their own needs and interests. Surveys indicate that those interests vary between white- and blue-collar workers.⁸ White-collar workers have tended to rank intrinsic rewards (interesting work, being

⁵ See pp. 202–203 of Mark A. Chesler and John E. Lohman, "Changing Schools through Student Advocacy," in *Organization Development in Schools*, eds. Richard A. Schmuck and Matthew B. Miles (Palo Alto, Calif.: National Press Books, 1971), pp. 185–212.

⁶ Samuel A. Culbert, *The Organization Trap and How to Get Out of It* (New York: Basic Books, 1974).

⁷ Chris Argyris, *Integrating the Individual and the Organization* (New York: Wiley, 1964); Abraham H. Maslow, *Motivation and Personality*, (New York: Harper and Row, 1954).

⁸ See p. 25 in George Strauss, Raymond Miles, Charles Snow, and Arnold Tannenbaum, *Organizational Behavior* (Madison, Wis.: IRRA, 1974).

able to develop abilities) as most important, while blue-collar workers have tended to prefer extrinsic rewards, like good pay and job security. It is to the latter's advantage, especially, to emphasize that intrinsic rewards are no substitute for extrinsic ones.⁹ Strauss¹⁰ has observed that the notion of self-actualizing through work is to some degree a projection of professional academic values onto the workforce. Although the issue is complex, some studies have shown that job-enrichment programs result in increased effort and performance (a management goal), but no increase in worker satisfaction.¹¹ The Porter and Lawler¹² model of motivation indicates that a number of factors intervene between performance and satisfaction, including the size and equity of the (extrinsic) reward. Furthermore, blue-collar workers, especially, show different career patterns and aspirations from managers,¹³ so that meritorious performance and skill development tend to have less long-run significance for them.

3. THE SOURCE OF WORKER POWER

It is to management's interest to stress a "top-down" philosophy of rights and power, another strong theme in the management literature. According to this philosophy, management prerogatives are fundamental, and can only be delegated at the discretion of management. Within this framework, the individual worker can only gain a limited degree of (revokable) power over the organization by demonstrating his value through performance and skill development.

In contrast, it is in the worker's interest to maintain that many important rights are intrinsic and unconditional, such as the right to a decent standard of living and safe working conditions. It is also important for workers to consider various avenues for asserting these rights, including, of course, coalitions of workers which restrict the organization's ability to bargain with workers individually.

4. RESPONSIBLE BEHAVIOR

Again, it is to management's interest to define "responsible" behavior in terms of organizational goals. Where worker goals conflict with

⁹ See, e.g., William W. Winpisinger, "Job Satisfaction: A Union Response," *AFL-CIO American Federationist*, vol. 80 (February 1973), pp. 8-10.

¹⁰ George A. Strauss, "The Personality-versus-Organization Hypothesis," in *The Social Science of Organizations*, ed. Harold J. Leavitt, (Englewood Cliffs, N.J.: Prentice-Hall, 1963).

¹¹ See, e.g., p. 77 in William J. Paul, Jr., Keith B. Robertson, and Frederick Herzberg, "Job Enrichment Pays Off," *Harvard Business Review*, vol. 47 (March-April 1969), pp. 61-78.

¹² Lyman W. Porter and Edward E. Lawler, III, *Managerial Attitudes and Performance* (Homewood, Ill.: Richard D. Irwin, 1968).

¹³ E. E. LeMasters, *Blue Collar Aristocrats* (Madison, Wis.: University of Wisconsin Press, 1975).

organization goals (as defined by management), assertive behavior by workers is likely to be labelled "irresponsible" because it threatens productivity, efficiency, etc. In the 1940s, for example, Fayol emphasized that "the interest of an employee or group of employees should not prevail over that of the concern."¹⁴

On the other hand, it is in the workers' interest to regard the asserting of their own interests as legitimate, and to use their own criteria for determining what constitutes responsible behavior.

5. TRUST VS. ADVERSARY RELATIONS

To maintain its prerogatives, it is to management's interest to emphasize the importance of attitudinal changes rather than formal, negotiated changes which would constrain management. Besides, management can argue that training managers with respect to human relations/organization development theories will automatically produce consideration of worker needs and power-sharing through enlightened self-interest.

In contrast, to the extent that there is conflict of interest, it is to the workers' advantage to choose strategies which do not depend upon management's beneficence. A number of lines of recent research, for example, indicate that managers are less than willing to share their prerogatives with workers—an insight which is not unfamiliar to IR. Levinson argues that the acquisition of power and control are prime motives to a manager in the organization pyramid, and that it is naive to expect a manager to willingly share them.¹⁵ A survey of European managers indicated that they feared human relations theories because of the threatened loss of control.¹⁶ Two surveys of American executives indicated a strong unwillingness to involve subordinates in their decision-making.¹⁷ Accordingly, it is to the workers' advantage to negotiate for more formal changes, including those which are sanctioned by law.¹⁸ These changes give them formal roles and prerogatives which cannot be revoked when management declares that, after all, "Business is not a democracy."¹⁹

¹⁴ Henri Fayol, *General and Industrial Management* (New York: Pitman, 1949), p. 26.

¹⁵ Harry Levinson, "Assinine Attitudes toward Motivation," *Harvard Business Review*, vol. 51 (January-February 1973), pp. 70-76.

¹⁶ Frederick G. Harmon, "European Top Managers Struggle for Survival," *European Business Review*, No. 28 (Winter 1971), pp. 14-19. Cited in Levinson, p. 73.

¹⁷ David W. Ewing, "Who Wants Corporate Democracy," *Harvard Business Review*, vol. 49 (September-October 1971), pp. 12-28, 146-49; Rama Krishnan, "Democratic Participation in Decision Making by Employees in American Corporations," *Academy of Management Journal*, vol. 17 (1974), pp. 339-347.

¹⁸ See e.g., Chesler and Lohman, p. 195.

¹⁹ Levinson, p. 75.

Some Implications for OD

Looking at the two columns in Table 1, it appears that the "preferred management doctrines" coincide with some central features of mainstream OD theory—teamwork and commonality of interest, intrinsic motivation, voluntary power-sharing, minimizing disruption of the organization, and an emphasis on trust and attitudinal change.²⁰ In contrast, the "preferred worker doctrines" can be characterized as alien to OD or, at best, as minority reports.

If we accept for the moment that this list of interests is plausible, then this comparison suggests some important implications for OD.

First, OD serves in some very fundamental ways to conserve management interests. This may not be surprising to people outside the field, since OD is taught in schools of management and since OD theorists have on the whole been consultants to management. However, this image contrasts strongly with the self-image of most OD specialists who, as Nord observes, often see themselves as "near radicals."²¹ The explanation, I believe, is that OD consultants may be near radicals within the management camp, but that they have tended to be unaware that there are other camps. Brown²² has described some dynamics that have tended to coopt OD consultants into accepting the legitimacy of the managerial perspective and ignoring the perspective of other interest groups within the organization. Likewise, Walton and Warwick have cited a number of instances in which OD consultants have unwittingly served top management interests by reducing opposition and "bottom-up" change efforts from other interest groups.²³

Second, this comparison of interests helps explain why unions have often resisted OD programs. This resistance may be well-placed opposition to doctrines which are incompatible with significant worker interests. If correct, this interpretation has crucial importance for the applicability of OD. It means that OD, as it exists at present, will be

²⁰For critical works which cite these features of OD, see (on commonality of interest) George Strauss, "The Study of Conflict: Hope for a New Synthesis Between Industrial Relations and Organizational Behavior?" in these IRRA *Proceedings*, pp. 329-337; (on intrinsic motivation) Strauss, "The Personality-versus-Organization . . ."; (on voluntary power-sharing) Nord, "The Failure of Current Applied Behavioral Science—a Marxian Perspective," *Journal of Applied Behavioral Science*, vol. 10 (October-December 1974), pp. 557-78; (on minimizing disruption) Stephen P. Robbins, *Managing Organizational Conflict: A Nontraditional Approach* (Englewood Cliffs, N.J.: Prentice Hall, 1974); (on trust and attitude change) Chesler and Lohman.

²¹Nord, p. 560.

²²Brown, "Alternatives to the Top-Down Approach, or, If You're Not a Woodcutter, What Are You Doing with That Axe?" Academy of Management annual meeting, Kansas City, 1976.

²³Richard E. Walton and Donald P. Warwick, "The Ethics of Organization Development," *Journal of Applied Behavioral Science*, vol. 9 (November-December 1973), pp. 681-98.

predominantly confined to areas of undisputed management authority. This, in fact, appears to be the present pattern—with applications centering primarily on management developments and secondarily on white-collar workers and on blue-collar workers in nonunion firms.

Finally, if OD is to significantly expand its application, this analysis suggests that it will need to broaden its repertoire by incorporating pluralism into its mainstream—by taking conflict of interest seriously, empirically studying the interests of different groups in organizations, designing interventions which respect the integrity of those interest groups, and, importantly, linking to various client groups within an organization simultaneously rather than restricting the change agent's formal accountability to management.

There are some hopeful signs that OD is moving in this direction. A few authors within OD have begun to provide pluralistic views of organizations to supplement the predominant consensual models.²⁴ Change programs have also begun which explicitly link the change agent to different interest groups within an organization. Some of this work has involved student and administration constituencies in educational institutions.²⁵ But the most important have probably involved management and union constituencies in Quality of Work Life projects (which Len Schlesinger and Dick Walton will be discussing this session). These projects appear to offer the possibility of combining the integrative goals and techniques of OD with the realities of pluralism in organizations.

A quotation from Warren Bennis is an appropriate conclusion. Bennis, once a leading spokesman for the consensus approach in OD, re-evaluated this position after becoming president of the University of Cincinnati. In an interview last year, he stated: "Too often [OD] is kind of a nice thing to do for nice middleclass executives. . . . It strikes me that basically [OD has] not yet learned to operate in an adversarial culture and that is where this country is. . . ."²⁶

²⁴ Chesler and Lohman; Roger Harrison, "Role Negotiation: A Tough-Minded Approach to Team Development," in *Interpersonal Dynamics*, 3d ed., eds. Warren G. Bennis, Davis E. Berlew, Edgar H. Schein, and Fred I. Steele (Homewood, Ill.: Dorsey Press, 1973); Nord; Thomas A. Kochan and Lee Dyer, "A Model of Organizational Change in the Context of Union-Management Relations," *Journal of Applied Behavioral Science*, vol. 12 (January-March 1976), pp. 59-78; Brown.

²⁵ For reviews of this work, see Chesler and Lohman; Brown.

²⁶ Bennis, "Practice versus Theory," *International Management*, vol. 30 (October 1975), p. 41.

Work Restructuring in Unionized Organizations: Risks, Opportunities, and Impact on Collective Bargaining*

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To date, work restructuring in America has taken place mostly within nonunion organizations. The U.S. labor movement has generally viewed job redesign, quality of work life, and related activities with suspicion. Recently, however, some unions have become interested in these issues and have joined with management groups to restructure the workplace.

In such joint efforts, how do the various stakeholders perceive the risks of their involvement? How do they deal with these risks? How do these projects affect collective bargaining relationships and processes? Regarding the third question, we take as a point of reference the theory set forth by Walton and McKersie in 1965 which proposed four subprocesses as comprehensive of the major dynamics of labor-management negotiations.¹

This paper reports preliminary findings based on field research and analysis of eight U.S. firms.

All sites utilized a special joint union-management committee to develop and implement work-innovation proposals. Ranging from 8 to 16 members, the committees included equal management and labor representation and were responsible for collecting data, supervising task forces, evaluating alternatives, and agreeing upon changes to be made or proposed to top management and the union membership.

A Network of Stakeholders—Their Risks and Coping Strategies

Our current conception of the network of stakeholders in a joint project is described in Figure 1.² Each group perceived unique risks associated with their participation. In each case their strategies of involvement included factors intended to minimize these risks.

LOCAL MANAGEMENT

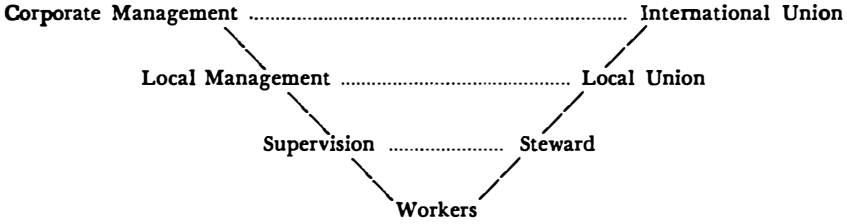
Plant management saw major risks with respect to three groups. First, they were wary about the support they would receive from their

* A longer version of this paper is available from the authors.

¹ Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations: An Analysis of a Social Interaction System* (New York: McGraw-Hill, 1965).

² A conception which we believe is similar to what Michael Maccoby calls a "ladder."

Figure 1



corporate superiors. Thus, they took into account certain career risks. Second, they feared that restructuring activities would worsen rather than enhance worker-management relations; or would enhance worker morale without economic benefit and at a significant cost of managerial time and effort; or would have short-term human and economic benefits but serve to further raise employee expectations, laying the ground for future disappointment. We found that these first two concerns, which exist in both nonunionized and unionized plants, were amplified for management with unionized plants.

Third, some of local management’s fears derive from experiences in their adversarial relations with the local union—fears that the union would exploit the cooperative venture to achieve their own adversarial ends, or would disrupt the venture if it appeared to gain acceptance among workers.

Where distrust existed, initial efforts have been invested by union and management in exploring the costs of distrust and the potential benefits of cooperation. In this process, third-party assistance sometimes has been of value.

Where trust existed, management fears were often derived from uncertainty about what changes would be proposed by a joint committee reviewing alternative work structures. Managers feared that they would lose too much control over the outcomes of the joint process. One way to minimize this risk was to identify the output of the joint committees as proposals prepared for top-management consideration. Another strategy was to engage managers in a preliminary design exercise, educating them about the range of possibilities, enabling them to embark upon a union-management effort feeling “more prepared.”

LOCAL UNION

For some union officials, their involvement in joint efforts was simply a natural extension of the idea that unions should be consulted on any prospective changes in the workplace. “Our job is to represent our members’ needs,” responded one union official, “and improvement in the workplace clearly is such a need.”

But for other union officials work restructuring, work reform, and quality of work life were just new terms for "speed up"; and therefore they entered into the process quite wary of management's intentions. As one top official stated: "If management enters into joint discussions with us and begins by talking about widgets per hour, we're not going to go any further." Some union officials, however, objected to the "productivity" goal only in the narrow sense of that word, namely, output per labor hour, and only through the simplest of means, namely, by increasing employee workload. When "productivity" means economic benefits to the company in the form of reduced scrap, increased machine utilization, or decreasing employee turnover and accident rates, these goals have usually been regarded as legitimate for management to pursue through joint work-restructuring activities.

Union officials certainly do not want to overturn the gains generated via collective bargaining. To cope with this concern, at most of the sites it was agreed to preserve the sanctity of the union agreement, although in a few instances the grievance machinery was replaced by the joint committee. Where there was a "sign-off" from sections of the collective bargaining agreement, it was agreed that the "sign-off" was voluntary and could be revoked by either party.

Some union officials have become intrigued with new work-structuring concepts and excited about working with management in a new way. Elements of the rank and file, however, sometimes view this and conclude that their leaders are spending too much time with management and challenge that the union was "in bed with the boss." A few union officials have taken abuse from members critical of any cooperative ventures. In some cases union and management leaders have tried to avoid or minimize such problems by ensuring an early and broad membership participation in work-restructuring activities. Also, some parties, aware of this risk, have made some highly visible, symbolic change that signals their joint intent (e.g., eliminating a time clock, improving the cafeteria or washroom facilities, eliminating reserved parking for management). The change serves as a kind of "earnest money."

Many projects studied have involved only a single department of a larger facility, thereby forcing the union to deal with two distinct worker constituencies. Because of the union's concern about insuring equity for the general membership, one project was ended as a result of pressure from workers who didn't want "the young kids in Department X to get the best of everything while we got nothing." Unions must attend to both their managerial and rank-and-file relationships in entering into a joint venture.

SUPERVISION

In several projects both union and management groups complained: "We were really making progress and then the foremen screwed everything up."

Many supervisors interviewed displayed distrust toward both management superiors and the union, fearing that management would eliminate their jobs and/or the union take away some of their authority. Indeed, it is often assumed by the planners that work restructuring will ultimately decrease the number of supervisors as work teams learn to coordinate their work and handle their own human problems. In any event, the supervisor's role is expected to change so significantly that some supervisors rightly have feared they will not be able to perform effectively in the redefined role. Thus, there is a realistic basis to the fears of the first-line supervisor. However, often these feelings were exaggerated by a number of situational factors, such as management and their union counterparts becoming so engrossed in their joint endeavor that they neglect to recognize that they are planning changes for others; or management providing inadequate training. Not surprisingly, supervision is better able to implement restructuring if they participate in the design process.

UNION REPRESENTATIVES/STEWARDS

Union representatives, not unlike supervisors, often fear that work restructuring will diminish their role. As employees have been encouraged to speak for themselves in various forums, ranging from work-team meetings to plant-wide task forces, the steward has been less exclusively relied upon as a channel of communication. Much the same involvement pattern that is called for in the case of remedying some of the problems surrounding supervisors applies to union representatives as well.

In contrast to the risks associated with exclusion from projects, in a few instances, stewards have developed a high sense of ownership about the innovative work structures (to the extent of excluding their union superiors), and their enthusiasm created risks for them personally and for the work-restructuring program.

WORKERS

Workers often mistrust both management and the union. With management they may have played the conventional games of reciprocal manipulation regarding work standards, overtime scheduling, and the like. With the union, they may have regarded its leadership as too

politically motivated and its programs as unresponsive to some of their important concerns.

Some worker distrust derived from misperceptions of what work restructuring actually meant. Like management, they initially assumed the project would take the same form in their instance that it had in some other project that had received wide publicity, for example, job rotation or work-team formation. Therefore, some of the efforts to familiarize workers with work restructuring raised more concerns than they allayed and unnecessarily so.

Much of the early effort at the sites studied was devoted to allaying other more realistic fears which employees expressed, through vehicles such as guarantees of sanctity for the union agreement and guarantees that layoffs or cutbacks would occur only through attrition with no loss of wages as a result of the project. In addition, where productivity was an expressed purpose of changes, managements often guaranteed workers would share in the economic benefits of improvements. In all cases the parties provided an opportunity to end participation in a joint effort on short notice.

Not all fears can be addressed in the above manner, however. Situations have arisen where, in a bargaining mode, something had to be relinquished by workers in order to gain something else. For example, at one site, the total number of jobs in the plant was reduced in order to make the jobs which remained more secure. The dynamics which surround such exchanges within a work-restructuring effort are worthy of further study.

CORPORATE MANAGEMENT/INTERNATIONAL UNION

At many of the sites studied, the involvement of corporate level management and/or the international union leadership was critical to the joint effort. However, the nature of their involvement varied considerably with the only uniformity being that of insuring that work innovations did not detract from the traditional efforts on "bread and butter" items, i.e., for management—production, quality control, etc.; for unions—effective representation of workers, contract administration, etc.

Joint Committees: Adjunct to the Adversary Process

The vehicle used for dealing with work-restructuring issues in each situation studied was a joint labor-management committee separate and distinct from the bargaining committees. The process used has taken the form of problem-solving. As defined by Walton and McKersie,³ a

³Richard E. Walton and Robert B. McKersie, "Behavioral Dilemma in Mixed-Motive Decision Making," *Behavioral Science*, vol. 11 (September 1966), pp. 373-82.

problem-solving strategy manifests itself behaviorally in the following manner:

Step 1—Parties define agenda items of mutual concern, developing an accurate assessment of the current satisfactions or dissatisfactions being experienced by either or both parties.

Step 2—Parties search for alternatives and jointly assess the consequences which follow from each alternative. Critical to this step is a thorough and accurate exchange of information relative to the alternatives and their consequences.

Step 3—Parties identify the alternatives which result in the greatest joint gains.

As Walton and McKersie indicate, problem-solving procedures which emphasize the search for and evaluation of alternatives require more spontaneity and a more open participative relationship than bargaining procedures, which call for parties to maintain cautious control of information.

The committees have often structured problem-solving procedures to handle issues that have little relationship to the collective bargaining agreement at the early stages in their venture, having recognized that some types of improvements in the workplace require a process dissimilar to their traditional collective bargaining pattern. In most instances they have endeavored to differentiate these two processes, e.g., using joint committees at the site level followed by bargaining committees at the top level. Thus, they have permitted more people to be involved in open and spontaneous exploration of issues without preventing the parties from addressing the issues in a controlled and channeled decision-making process at a later point.

But such separation is not always readily achieved in practice. Union officials interviewed believed that managing the different relationships in the joint committee and collective bargaining frameworks posed the most formidable dilemma that surrounded their involvement. At this preliminary stage of our research effort, we do not presume to offer conclusive solutions to this dilemma; yet we wish to underscore its importance.

Implications for Theory of Labor Negotiations

We have been interested in how the work-restructuring movement and the collective bargaining institution interrelate. How does one impact on the other? What are the possibilities for a productive synthesis of these two forces?

One approach to the question at the theoretical level is to ask, "In what way, if any, does work restructuring in unionized situations indicate the need for a revision of the theory of labor negotiations previously set forth by Walton-McKersie?"

Our research to date leads us to make several observations pertinent to the theory. First, the work-restructuring activity increases the ratio of problem-solving to bargaining activity compared with that normally observed in U.S. collective bargaining. This, in turn, places a higher premium on structuring attitudes of mutual trust and respect.

Second, work-restructuring activity presents some novel problems for union leaders in seeking rank-and-file consensus for agreements they enter into with management.

Neither of the above, however, requires any revision of Walton-McKersie's four subprocess theory. But our next observation is not comprehended within the framework of that theory.

Third, work restructuring is a reflection and, in turn, will promote a trend in the United States toward "participatory democracy" in the workplace. Collective bargaining and the Walton-McKersie theory, which attempted to capture the essence of the institution as then practiced in the U.S., contemplated a form of "representative democracy," where workers' influence was exercised through union representatives in a two-party (union-management) forum.

Work restructuring involves workers directly in determining conditions affecting their work. This, in turn, reinforces their expectations that they will be afforded an opportunity for direct participation in the future. In the extreme case, workers develop a belief that "decisions affecting me are only legitimate if I participate in them directly."

Direct involvement is more feasible if units small enough so that individuals can see themselves as a "significant part of the whole" are given some autonomy to determine what is best for them. This autonomy in turn increases the diversity among units within the same larger facility, undermining the concept that equity can only be achieved through uniformity (a principle of traditional unionism and a natural corollary to representative democracy). The tendency toward diversity associated with work restructuring extends to the level of the individual.

All of these interrelated trends toward direct participation—smaller units with greater autonomy, diversity within units traditionally managed by principles of uniformity, more accommodation of individual differences in preferences and capacities—will require some revision of both the practices and theory of collective bargaining, with their traditional emphasis on representational influence systems and two-party decision-making.

DISCUSSION

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All three papers presented here examine aspects of the role, importance, nature, and significance of employment relations as seen by scholars with an industrial relations view and those with an interest in organizational behavior. Thomas decries the analyses of organizational development that ignore variety of interests in organizations and the reality and interactability of conflict. Schlesinger and Walton report their findings about the problems peculiar to work-restructuring programs in union plants. Strauss analyzes some of the major failures and shortcomings of the approaches made by both the industrial relations experts and organizational behaviorists. He concludes with a recommendation that the solutions to problems offered by both can contribute usefully to industrial life.

The three papers throw light on an issue of long standing in both American industry and academia: how to reconcile the role and existence of unions with the putative functions of management. Schlesinger and Walton's preliminary conclusions fail to note large areas of practical reconciliation that has in fact taken place, and Strauss may overestimate the possibility of reconciliation, unless and until business managers, and perhaps scholars, generally accept the pluralistic values that Thomas believes accompany American unionism.

The great difficulty in achieving a reconciliation between unions and management is not one of technique and methodology. As Thomas implicitly points out, there exists a gulf in values and attitudes between managers and unionists. The widespread managerial style, defined in "prerogatives" and apotheosized in much organizational behavior literature, is far removed from union notions of bargained rights, favorably recognized in most industrial relations writings.

Almost unwittingly, Schlesinger and Walton assume the validity of the managerial ideology, though they struggle against its implications for their study. They begin with a surprising statement: "To date, most of the efforts to restructure work in America have taken place within nonunion organizations." Since unions claim only 22 percent of the workforce, they could mean that work restructuring for most employers has to take place in nonunion plants and offices. But one may suspect they mean that unions are rarely involved in work restructuring. If the suspicion is right, their statement would come as a great surprise

to most unionists. It would be a surprise to Thomas Gleason and Anthony Scotto of the East Coast Longshoremen or to Harry Bridges and his dock workers on the West Coast; the trainmen, firemen, and engineers who have struggled with massive technological and work changes on the railroads would wonder at such a statement. The steel workers through their local unions restructured work and work rules, negotiating and bargaining with plant managers after the last industry-wide strike of 1959-60. In recent years, as Professor David Lewin has often pointed out, unions and management have powerfully and radically reshaped work and the quality of work life in the printing industry; in the last year the International Ladies' Garment Workers' Union and employers have made major changes in both work rules and work life in the garment trades. The reshaping and restructuring experience in the above-mentioned industries may not follow scholarly ideas nor pursue managerially defined goals, but they may be desired by workers and evidently are acceptable to managers who agree to them.

To ignore all but formally recognized management schemes of work restructuring can mislead observers into ignoring the creativity of collective bargaining and the continuing contributions of unions. Scholars can applaud Schlesinger and Walton's study, and others like it being carried out at the University of Pennsylvania, Cornell, and other schools, but why do the researchers not examine control situations? Would it not be wise to analyze behavior in a similar plant or work location, where no formal work-restructuring program was in process, and note the differences and similarities. Problems and successes that appear to be causally related to work structuring may in fact be facets of activities found in many unionized plants, even when no formal work restructuring is being pursued.

After all, collective bargaining is not just an adversary activity; it includes within its processes adjudication, problem solving, communications and information flows, and rule-making as well as negotiations. Walton and McKersie clearly recognized these various functions and explored them well in their book of 11 years ago. Moreover, not only does collective bargaining encompass a variety of processes, it displays many different emphases in different industries. Consequently, the reality of collective bargaining across the economy may allow far more innovations, more possibilities, and greater contribution than scholars usually remember. Theorists need constantly to study and observe collective bargaining as currently practiced to see that it fits our abstracted categories to which it may be assigned.

Strauss points out that in recent years scholars have not closely observed collective bargaining nor carefully analyzed the ways unions

and managers resolve conflict. Over the past decade, they have turned their attention to manpower problems; over a longer time span many gave up the close study of conflict resolution for they discovered that industrial peace, as labor teachers in the forties defined it, was not likely and also that strikes were not as fearsome as economic teachers in the fifties warned. Strauss also notes that industrial relations students have ignored the distributional effects of strikes and the distributional effects of collective bargaining. To restudy them, or to study them thoroughly for the first time, would be a worthwhile contribution to an understanding of labor's role in the economy. Further it would parallel and support a reviving interest among economists in national income distribution.

Strauss is right that labor scholars have tended on the whole to see industrial relations as a unique phenomenon. An exception is Neil W. Chamberlain. In his book, *A General Theory of Economic Process*, he suggested a bargaining-negotiating model for analyzing and explaining all economic activity. It is a book and contribution for which he is apt to be remembered longer than for his other excellent works, but unfortunately it has remained largely ignored over the past two decades.

Strauss recommends that managers, unionists, and scholars can and should learn to use the knowledge and techniques of both industrial relations and organizational behavior in coping with the nation's expanding areas of conflicting interests. If the learning is to be productive, all will have to accept some redefinitions of efficiency; certainly prerogative notions must be given up. Neither redefinition nor the giving up will be easy for both are values that presently undergird managerial pretensions.

The number of claimants to rights continually rises as lawmakers provide legal recognition that all people, not just some, should enjoy their full constitutional rights. That rise is bringing about a great increase in conflicts among rights and interests. All too many of the rights clash head on, involving the parties in more and more zero-sum games.

Complainants must now seek resolution of such conflicts and settlement of their contradictory claims, primarily through government forums at present. We rely first of all upon the cumbersome, adversary procedures of courts and regulatory bodies. Both may be inappropriate to our public and individual needs. Each group seeking enforcement of and support for its rights fears it will gain only token benefits unless it gains broad support and wins carefully defined legal entitlement for its whole class. All parties involved discover they are ensnared in much litigation and enjoy few satisfactory settlements of issues.

Adjustments at the margins are difficult, and such settlements as we do achieve often make no allowance for differences among people or groups. It is surely worthwhile, as Strauss recommends, to explore ways of handling conflicts over rights through private deals between and among groups. We may find it useful to experiment, at least, in the trading, exchanging, or the selling of rights as the parties to collective bargaining do. Such buying and selling on a *quid pro quo* basis could allow compromises and adjustments of the kind that are reached daily in unionized factories and shops.

Along with government forums for conflict resolution, the nation needs complementary, private, and voluntary processes with the flexibility to deal with the vast number and wide array of conflicts that constantly confront us. Consider some of them that have presented themselves recently. A person, seeking to enjoy the right of free exercise of religion, refuses overtime and infringes upon the rights of fellow workers whose rights were democratically determined under collective bargaining to share overtime by inverse seniority. In another example, newly hired women, minorities, and others seek fulfillment of the affirmative action promise of nondiscriminative treatment. That fulfillment, however, denies contractual promises of ranking job preference by seniority for workers long on the job. To resolve such conflicts, as well as the old and continuing ones arising out of differences among organizations, Americans will have to use all the competences and skills they possess. The abilities of negotiators, bargainers, mediators, and arbitrators will be, and are already, in high demand. Our future leaders, those first among equals if the old managerial ideology is finally discarded, will be people with a creative flair for, a sound knowledge of, and experienced practice in, the ways of coordinating mediative and production functions in ways that will bring forth compromises of rights acceptable to all stakeholders.

XIII. IRRA ANNUAL REPORTS FOR 1976

IRRA EXECUTIVE BOARD SPRING MEETING May 8, 1976, Denver

The Executive Board met at 7:30 a.m. Attending were President Irving Bernstein, Secretary-Treasurer Richard Miller, Co-editor Barbara Dennis, and Board Members Henrietta Dabney, Harold Davey, Walter Fogel, Shirley Goldenberg, Thomas Patten, David Salmon, and Paul Yager. Also attending were Benjamin Aaron, Martin Wagner, William Schoeberlein, Donald Vosburgh, and Guy Parent.

Secretary-Treasurer Miller reported on memberships, dues collections, cash assets, and comparative financial reports since the December 1975 meeting in Dallas and the previous Spring meeting held in Hartford in May 1975. It was noted that the financial report is subject to the auditor's confirmation but that, in general, the Association's financial picture was continuing to improve. It was reported by Mr. Miller that a problem had arisen in the implementation of the affiliation fees recently adopted for local chapters. Although 26 chapters had paid their 1975 fee, 13 had not paid. In the case of the University of Illinois student chapter, the Board decided that, as a means of encouraging students to become members of the Association, student chapters should not be subject to the fee schedule.

A more difficult case was that of the Western New York chapter which refused to pay the affiliation fee. After extended discussion, it was moved, seconded and passed that if the Western New York chapter were not in compliance by mid-September 1976, said chapter would be expelled and deprived of the use of the IRRA name. Prior to that date an effort was to be made by Executive Board member Paul Yager to meet with the officers of the Western New York chapter to find out the source of the problem and to report back to the Executive Board at the Atlantic City annual meeting.

Mr. Miller informed the Board that the following slate of candidates had accepted for the 1976 fall elections: for President, F. Ray Marshall; for President-Elect, Charles C. Killingsworth; for Executive Board, Robert C. Garnier and Lois A. Rappaport; Francis X. Burkhardt and Markley Roberts; Bernard E. Anderson and Orley Ashenfelter; Marcia L. Greenbaum and Betty V. H. Schneider.

The Board approved the Nominating Committee to select candidates for the 1977 fall election; Martin Wagner, Chairman, Trevor Bain, Robert Copp, Gladys Gershenfeld, Peter Henle, Raymond W. MacDonald, and Mark E. Thompson.

Co-editor Barbara Dennis reported that the Proceedings of the Winter

meeting had been published and now was in the mail to members. In addition the 1976 research volume would be published on schedule, and all chapters for the 1977 volume, edited by Leonard Hausman, were assigned to authors. With regard to the 1978 volume, the Board suggested the subject "Public Sector Collective Bargaining in a Period of Retrenchment." President Bernstein will select the Editor-in-Chief.

It was indicated by Ms. Dennis that the Association had received a request from Professor George Bain of Warwick University, England, that we include promotional material for Warwick's books with the regular mailings made to Association members. The Board declined Mr. Bain's request but instructed the Editor to indicate to Mr. Bain that for the customary fee the IRRA mailing list could be acquired.

A final issue presented by the Editor to the Board was that of Association policy with regard to requests for permission to reprint articles appearing in IRRA publications. Ms. Dennis stated that the current rate had been unchanged for some time and that the policy should be reviewed with the possibility of raising the fee. Before making recommendation for a new rate, the Editor agreed to report to the Board on this point the results of deliberations of the next meeting of the Association of University Press Editors.

In the absence of Gerald Somers, Mr. Miller presented to the Board a report prepared by Mr. Somers enumerating steps taken within the past year to improve relations between the local chapters and the national association. Among others, efforts to improve relations included workshops at the Annual Winter meeting arranged by and aimed at the local chapters; expansion of the *Newsletter*; application by the national office for nonprofit tax status exemption for local chapters, and provisions for direct representation of local chapters on the Executive Board. Mr. Somers recommended that a new liaison committee be created to replace the current committee composed of the three past IRRA presidents. It was felt that representatives of the current Executive Board would be more effective in carrying out the committee's functions.

The possibility of financing the travel expenses of participants at the Winter and Spring IRRA meetings was put before the Board by President Bernstein. The problem has become particularly acute for academics and, as a consequence, invitations to present papers and appear on panels have increasingly been rejected. On the motion of the President, a committee was to be appointed which would review the organization and finances of the IRRA. Board members Paul Yager and Henrietta Dabney were appointed initially with other appointments to follow later.

President Bernstein next reported on the status of preparations for the 1976 Annual meeting to be held in Atlantic City. Sixteen sessions are scheduled, including four workshops to be arranged by the five local chapters closest to New Jersey. Topics for the program were listed,

and suggestions for participants were requested for those sessions still open.

At the invitation of the Board, Guy Parent of the Arizona chapter discussed planning for the 1977 Spring meeting to be held in Tucson. Possible dates and locations were considered, and the need to avoid conflicting with either the Easter holidays or the annual meeting of the National Academy of Arbitrators was stressed. The Board decided that there would be no joint meeting with the annual Labor Law Conference of the Arizona chapter. The Board saw no conflict in some overlap of meetings with the Society for Professionals in Dispute Resolution (SPIDR). It was suggested that further planning for the meeting should be worked out closely with President-Elect Marshall of the University of Texas at Austin.

The meeting was adjourned at 11:15 a.m.

IRRA EXECUTIVE BOARD WINTER MEETING

September 16, 1976, Atlantic City

The Executive Board meeting was held at 6 p.m. Attending were President Irving Bernstein, Incoming President Ray Marshall, 1977 President-Elect Charles C. Killingsworth, Secretary-Treasurer Richard Miller, Co-editor James Stern, and Board Members Eileen Ahern, Ben Burdetsky, Henrietta Dabney, Graeme McKechnie, Robert McKersie, Thomas Patten, Gerald Somers, and Paul Yager. Chairman of the Comprehensive Review Committee Richard Lester was also present.

The Secretary-Treasurer reported that there were approximately 4000 persons on the IRRA mailing list, but that 3340 membership payments had been received as of June 30, 1976, and the flow was expected to continue to the end of the year. Mr. Miller also reported that the Association's financial condition was sound at present and that it has been in the black since the dues increase in January 1974. However, he indicated that the sound financial condition could not be maintained in view of the inflationary price rise without a dues increase reflecting the rise in costs. Under the constitutional change voted by the members in 1975, the Board approved a dues increase to \$18 for regular members and \$6 for students, effective for 1977.

The Secretary-Treasurer also indicated that the nomination and election of officers, which had been related to a December Annual meeting, was affected by a switch to a September meeting. In order to meet this problem, the Board approved a referendum for the following constitutional change:

Bylaws Section II

3. Elective officers shall be chosen through elections to be held

during the last *three* months of the term of office of their predecessors under the rules determined by the Executive board.

to be changed to read:

3. Elective officers shall be chosen through elections to be held during the last *six* months of the term of office of their predecessors under the rules determined by the Executive board.

Mr. Lester, Chairman of the Comprehensive Review Committee, discussed the initial plans of the committee and indicated that a report would be submitted to the Executive Board in November 1977 for discussion at the Board's meeting in December of that year. The Comprehensive Review Committee has been appointed by President Bernstein to make recommendations for the administration and policies of the IRRA. Other members of the committee are: Eileen Ahern, Henrietta Dabney, Harry Edwards, Robert McKersie, Rudy Oswald, Jerry Rosow, Paul Yager, and Richard Miller, *ex officio*.

The Secretary-Treasurer presented a report on the local chapters that had not yet paid their fee to the national IRRA for 1975. With the helpful intervention of Paul Yager, a fee problem that had arisen in one of the chapters was successfully mediated. The Secretary-Treasurer would keep a watchful eye on the status of other chapters. He was authorized by the Board to suspend chapters that were delinquent in payment of their 1975 fees or to take other appropriate action after discussions with such chapters.

The Board reconfirmed its plans to enhance relations between the national IRRA and the local chapters as summarized by Gerald Somers for the Committee on Local Chapter-National IRRA Relations.

A. Steps that have been taken:

1. Workshops at the national IRRA meetings arranged in cooperation with local chapter officers.

2. Inquiries of national Executive Board members about availability for speaking at local chapter meetings; and inquiries of local chapters as to interest in inviting Board members to speak. Favorable responses from half a dozen Board members. Only one local chapter indicating interest in inviting Board members to speak. Further inquiries should be directed to local chapters on this point.

3. Plans for expanded *Newsletter* or supplement this fall covering local chapter activities.

4. Continuation of meetings of local chapter representatives arranged by national IRRA at its Annual meetings.

5. Local chapter officers to be represented on the Executive Board (Nominating Committee to devise procedures for these Board additions, with the approval of the Board).

6. National IRRA to apply for nonprofit tax status for local chapters.

B. Recommendations:

1. Continuation of the liaison activities indicated above.
2. Further exploration of liaison activities by a new committee composed of current national Executive Board members and local chapter officers.
3. The current liaison committee composed of the three past IRRA presidents should be discharged. Past presidents are too remote to be held accountable.

The request for affiliation of the Southwest Connecticut chapter was approved contingent on evidence that there was no jurisdictional conflict with neighboring chapters.

Editor James Stern reported that the 1976 research volume would be distributed to members by the end of the year. The chairman and members of the editorial board for the volume indicated their wish to dedicate the volume to Nat Goldfinger, past president of the IRRA, who died in 1976. The Board approved such a dedication to be made by the volume's editorial board.

The Editor noted that the 1977 research volume, under the editorial chairmanship of Leonard Hausman, was scheduled for publication early in 1977. The Board approved a volume on collective bargaining in the public sector, under the editorial chairmanship of Benjamin Aaron, for 1978. Decisions concerning the IRRA's collective bargaining volume, being financed by the Department of Labor under the editorial direction of Gerald Somers, would be made at a later date after clarification of the publication status of the volume.

The Board reviewed a number of invitations for the annual Spring meeting in 1978. After careful consideration, it was decided to hold the meeting in Los Angeles in response to the repeated invitation of the Southern California chapter.

President-Elect Ray Marshall reported on his tentative plans for the Spring meeting to be held in Tucson in March 1977. He indicated that he would select sessions from the following list of suggestions that he had received: medical and health manpower, collective bargaining in hospitals, reform of labor markets, public employment in the U.S. and abroad, collective bargaining and labor market efficiency (social contract), collective bargaining in the public sector with emphasis on TVA, welfare reform (especially lessons from WIN), labor market information systems, illegal aliens and the labor market impact of immigrants, and union growth, leadership changes, and structural changes.

President-Elect Marshall also discussed tentative plans for the meeting to be held in New York in December 1977. He invited Board members to send program suggestions to him for that meeting.

The Nominating Committee reported its recommendations for President-Elect and for the Executive Board in the election of officers to be

held in the fall of 1977 and tenure in calendar year 1978. The Board unanimously approved the Nominating Committee's recommendations. They also approved the suggestion of the Nominating Committee that future meetings of the committee be held the day before the Executive Board's meeting in order to permit more time for the committee's deliberations.

The Board approved the inclusion of an item in the *Newsletter* asking members to contribute to memorial funds that had been established on behalf of Nat Goldfinger and Fred Harbison.

The meeting was adjourned at 10:15 p.m.

IRRA GENERAL MEMBERSHIP MEETING

September 17, 1976, Atlantic City

The membership meeting was convened at 4:30 p.m. Presiding were President Irving Bernstein and President-Elect F. Ray Marshall.

The Secretary-Treasurer reported that the financial condition of the Association had improved since the dues increase of January 1974. However, because of the continued inflation, the Executive Board felt it was necessary to utilize the automatic dues increase formula that had been approved by the members in 1975. The formula provides that dues may be increased by a percent equal to the increase in the Consumer Price Index. On that basis, the Board approved a dues increase to \$18 for regular members and \$6 for students, effective January 1977.

The members were informed of the establishment of a Comprehensive Review Committee under the chairmanship of Professor Richard Lester. The committee, appointed by President Bernstein, will make recommendations for the administration and policies of the IRRA in a report that would be submitted to the Executive Board in November 1977.

The annual election of officers and Executive Board members has customarily been held during the last three months of the calendar year as prescribed in the Constitution. Given the recent change of policy by ASSA in which the Annual meetings are to be held in alternate years in fall or December, the annual election, which had been timed to coincide with the Annual meeting, could no longer be carried out as required. After some discussion of the issue, the Board approved a referendum asking that Section II of the Bylaws be changed from "elections to be held during the last three months" to "elections to be held during the last six months" of the term of office of the predecessors.

The Editor reported on the 1976 research volume, which would be distributed to members by the end of the year, and on the progress of the volumes planned for 1977 and 1978.

President-Elect Marshall discussed the sessions planned for the Spring meeting in Tucson in March 1977; he also discussed his tentative plans for the Annual Winter meeting to be held in New York City in December

1977. He asked for suggestions from the membership from the floor as well as in written communication to him after the meeting.

The meeting was adjourned at 5:30 p.m.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION, Madison, Wisconsin
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 For the Year Ended June 30, 1976, and the
 Seven Months Ended June 30, 1975

	1976	1975
Cash and investments—December 1		<u>\$15,408.62</u>
Cash and investments—July 1	<u>\$14,469.21</u>	
Cash receipts		
Membership dues	<u>\$38,638.75</u>	<u>\$16,535.78</u>
Chapter dues	1,863.50	
Subscriptions	6,945.00	4,425.00
Sales	10,126.62	3,469.66
Royalties	557.45	320.76
Mailing list	2,737.00	1,540.50
Travel, conferences and meetings	4,200.15	2,919.24
Interest income	1,114.68	380.97
Miscellaneous	89.28	
Total cash receipts	<u>\$66,272.43</u>	<u>\$29,591.91</u>
Cash disbursements		
Salaries and payroll taxes	<u>\$13,692.32</u>	<u>\$ 7,157.64</u>
Retirement plan	2,375.76	1,307.39
Postage	3,136.00	1,179.80
Services and supplies	3,158.46	1,042.95
Publications and printing	24,234.39	15,150.05
I.R.R.A. conferences and meetings	4,656.27	3,746.84
Telephone and telegraph	375.58	536.40
Miscellaneous	135.39	410.25
Total cash disbursements	<u>\$51,764.17</u>	<u>\$30,531.32</u>
Excess of receipts over disbursements	<u>\$14,508.26</u>	
Excess of disbursements over receipts		<u>\$ 939.41</u>
Cash and investments—June 30	<u>\$28,977.47</u>	<u>\$14,469.21</u>

STATEMENT OF CASH AND INVESTMENTS, June 30, 1976 and 1975

	1976	1975
Cash		
Checking account—First Wisconsin National Bank of Madison	<u>\$ 1,588.77</u>	<u>\$ 3,485.19</u>
Savings account—First Wisconsin National Bank of Madison		39.76
Golden Passbook—First Wisconsin National Bank of Madison	23,494.20	7,049.76
CORPORATE BONDS (At Cost)		
\$3,000 United Gas Pipeline Co. 5%—3/1/78 (market value 6/30/76—\$2,835 6/30/75—\$2,678)	2,419.62	2,419.62
2,000 Commonwealth Edison 3% 2/77 (market value 6/30/76—\$1,955 6/30/75—\$1,860)	<u>1,474.88</u>	<u>1,474.88</u>
Total Cash and Investments	<u>\$28,977.47</u>	<u>\$14,469.21</u>

EXECUTIVE BOARD Industrial Relations Research Association

We have examined the statement of cash receipts and disbursements, and cash and investments of the Industrial Relations Research Association for the year ended June 30, 1976 and the seven months ended June 30, 1975. 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 periods ended June 30, 1976 and 1975, and the cash and investments at the beginning and end of the period.

SMITH & GESTELAND
 Certified Public Accountants

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