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PREFACE

The 49th Annual Meeting of the Industrial Relations Research Association was held in New Orleans, January 4-6, 1997. The meeting and program set the stage for a very active and ambitious fiftieth year of the Association.

The New Orleans meeting featured sessions on a variety of informative topics, including labor-management partnerships, the arbitration of employment disputes, temporary employment, the union organizing challenge, and flexible pay systems.

The meetings included a number of "firsts" for the Association. The contributions of young academics and practitioners were recognized for the first time with three annual awards. John Paul MacDuffie, University of Pennsylvania, and Sarosh Kuruvilla, Cornell University, received Young Scholar awards for their contributions to IR research of national and international significance, respectively. The Oregon IRRA Chapter received the Young Practitioner award in recognition of the chapter's remarkable development and value to area IR professionals. In addition, Jeffrey Rothstein, University of Wisconsin-Madison, was awarded first place in the IRRA first annual student writing competition. Rothstein's paper on European works councils is included in the 1997 Proceedings. Also for the first time, all sessions at the meeting were audio taped and copies were available for purchase during and after the meetings. Other new features included several Distinguished Practitioner panels on the topics of the new workplace and the future of labor-management relations and a half-day mediation training session preceding the regular meetings.

This year's Proceedings includes a subject and author index of papers published by the Association over the past five years in its Annual Proceedings, Spring Proceedings, annual research volume, and new publication, *Perspectives on Work*. The index contains 439 papers involving 428 authors. As the Association celebrates its fiftieth year of publishing innovative and insightful work in the field of industrial relations and human resources, we acknowledge the invaluable role of our paper contributors, session organizers, editors, and National Office staff. For fifty years, the Association has provided a forum for the exchange of ideas and information central to our field. As we pause to reflect upon our past and consider our future, we thank all those individuals who have contributed to the wealth of knowledge the IRRA has disseminated for fifty years.

Kay B. Hutchison
Administrator and Managing Editor

Paula B. Voos
Editor-in-Chief

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IRRA ANNUAL REPORTS

I. PRESIDENTIAL ADDRESS

Evolutionary Employment Relations: An Introduction and an Application

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In times of change in a field, it is important to do two things. First, it is necessary to be aware of and respond to the changes. Second, it is necessary to be aware of and respond to the relatively enduring, unchanging aspects of the phenomena that we study. Although much of what we do as practitioners and scholars has to do with the first task, it is perhaps the degree to which we do the second that determines whether we have anything to offer by way of fundamental insights.

In this talk, given in a time of great uncertainty, I would like to focus on two verities. These are *human nature* and *human dignity*. Human nature derives from the evolution of the human creature, formed by natural selection and honed by environment and culture. On the other hand, the need for human dignity is a philosophical principle that is a foundation stone of democratic societies. The link between the two is that human nature both requires dignity and threatens it. Understanding this connection is necessary, in my view, to having human dignity assured in the workplaces of our society, which is the arena of human activity upon which our field focuses.

The view that there is such a thing as human nature is not one that is widely accepted among scholars. This common-sense proposition seems pretty obvious to most of us. However, in the more elevated realms of the social science disciplines, it is generally devoutly believed either that human beings will behave any which way that they are rewarded for behaving or, in the alternative, that all human behavior can be explained in terms of avoiding pain and seeking pleasure. Let me see if I can briefly make a case for the common-sense view.

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Evolutionary Employment Relations

I would label the common-sense view "evolutionary employment relations" as political scientists, anthropologists, and some psychologists have identified similar approaches in their fields. Put simply, it claims that the behavior of human beings, like that of all living things, has been shaped by the heavy hand of natural selection. That is, behaviors that do not favor the survival of the species tend to be selected out, and those that do favor it are perpetuated. The result of this is a set of deep and lasting preferences or inclinations. We have a basic repertoire of wants that differs from those of other beings. Certain behaviors are attractive or "sweet," and others are not.

Our wants, along with our environment and culture, influence but do not mechanically determine our behavior. One reason that they do not determine behavior is that they are often in conflict, a kind of "parliament of instincts" as Konrad Lorenz expressed it. As Mary Midgley, whose book *Beast and Man* I strongly recommend, has said, "We want incompatible things, and we want them badly." While we may choose among these or alter them somewhat, we can no more ignore them than we can grow wings or tusks.

Exactly what is human nature is a question that has occupied philosophers and theologians as well as scientists. Although there is no definitive statement of this, there are a few things of which we are fairly sure. One of these is of crucial importance to an understanding of employment relations. It is that *among the inherent preferences that we have is a rather strong one for social dominance orders—pecking orders, hierarchies—* where some say "heel" and others do it.

Social Dominance

One of the behaviors that we observe nearly universally among us and our closest relatives in the animal kingdom is the development of rank order. As Desmond Morris says, "In any organized group of mammals . . . there is always a struggle for social dominance. As he pursues this struggle, each adult individual acquires a particular social rank, giving him his position, or status, in the group hierarchy." Not only do these exist widely, but they tend to have certain common characteristics.

What happens in these human social groups such as work organizations? First, individuals have an impulse to rank themselves above others, producing "status tension." Second, most individuals who do not climb to high positions in the hierarchy tend to accept this to some degree. So there is both a tendency to be dominant and one to obey. Dominance can be determined by a number of factors, but there is nearly always some element

of aggression in this human power game. However, as Eibl-Eibesfeldt, the great ethologist, has said, "Rank striving and obedience are not in and of themselves evil; it is the extreme forms against which we must protect ourselves." They can produce functional social organizations. He says, however, that the drive for power is especially dangerous to lower-ranking members because it has no inherent limits or boundaries.

As a test of whether it makes sense to think of human work organizations in terms of pecking orders, it is interesting to see what the ethologists such as Morris and Eibl tell us we are likely to see as animal behavior in a dominance hierarchy based on observations in nonhuman groups. Morris, in *The Human Zoo*, compares baboon and human leaders with regard to the trappings of dominance. In baboons it is a beautifully groomed coat of hair; a calm, relaxed posture; a deliberate and purposeful gait; and no outward signs of anxiety. Size, particularly height, is associated with dominance, enhanced by kowtowing by subordinates, as is a stare that, as Shakespeare said in King Lear, "makes the subject quake." Does this sound like what Vance Packard called "executive bearing"? Having the "lion's share" of rewards, greater access to sexual opportunities, and the administering of punishment to lower-ranking members are characteristics of "top dogs" in baboon society. Does this sound familiar?

An Application

One of the common traps into which one may fall when focusing upon human nature *as it is* is to assume that this also tells us what *ought* to be. Not so. What is "natural" can be determined by scientific observation. What *ought* to be is a matter for philosophers and theologians or, at a more practical level, for policy makers who structure the rules enforced by our society. One of the oughts that I suggest is a fundamental one in a democratic society is the right of individuals to human dignity. What this comes down to is the possession of what are usually called human rights.

Human Rights in a Pecking Order

As I have argued elsewhere, including in an issue of Roger Blanpain's *Bulletin of Comparative Labor Relations* and at the Portland, Oregon, chapter's conference earlier this year, I believe that human rights such as the basic right of human dignity exist in the work society as well as in the political society. Few would argue with the proposition that rights of liberty, particularly of free expression, privacy, life, due process, collective action, and participation, exist as against governments. An increasing number of observers have in recent years come to assert that such rights should be guaranteed as against employers. The chief reason for this given by

David Ewing and others is that as a practical matter in our society the real danger to human liberty lies not so much in government authority but in the power possessed by our employers.

Michael Moore, the producer of the film "Roger and Me," says in his recent book, *Downsize This*, "We live in a country that is founded on the basic principle of fairness: that all people should be treated with dignity and should have a say in the matters that affect their lives. Why do we abandon this principle when we enter the office door? Isn't this America, too? Or is 'life, liberty and the pursuit of happiness' not allowed from 9 to 5?"

What I would like to argue here is that a sound understanding of what *is* has the capability of helping us to achieve what *ought to be*. That is, seeing the work organization as a social dominance hierarchy helps make us aware of dangers to human dignity in that setting and suggests some solutions to the problems for human rights that are endemic to it.

The Dangers

In any hierarchy there are opportunities for abuse of power. Those at the top usually like very much to stay there, as there are always perks to be had—high pay, pleasant work space, deference, etc. They also tend to be those who have a relatively strong need or taste for power and authority. They generally have the instruments of power, particularly the ability to punish subordinates or to eliminate them from the organization. They also might be expected to react very negatively against threats to their power and discretion. Lower-ranking members would be expected to accept all of this to some degree. It should be emphasized that none of these things are necessarily bad but are simply aspects of a form of social organization that is functional for many purposes, for the lower-ranking members as well as for the higher-ranking ones. It also reflects human tendencies that are not in themselves either good or bad but are simply there.

The problem with pecking orders is precisely that the rights and interests of those at the bottom may be *excessively* interfered with by those at the top. In our political society we have devised a Bill of Rights that sets out limits on the power of government that to some degree prevents this, and we elect our leaders and can choose to dispense with them. In our work society there are no such limits. If there is no countervailing force protecting the fundamental rights of those at the bottom of the hierarchy, there is the strong potential for abuse. In many countries there is a structure of laws providing for protection against arbitrary treatment of employees by employers. We have no such general protection in the United States, although some particular abuses, such as discrimination for union activity, race, sex, or religion, are protected against.

In my view, human hierarchies inevitably contain within them the seeds of oppression. Because of this, checks on personal power of human beings over other human beings are needed. George Washington recognized this in his farewell address, noting the need for checks because of the "love of power and proneness to abuse it which predominates in the human heart." Sigmund Freud said that "humans are creatures among whose instinctual endowments is to be reckoned a powerful share of aggressiveness. As a result, their neighbor is for them not only a potential helper or sexual object but also someone who tempts them to satisfy their aggressiveness on him, to exploit his capacity for work without compensation . . . *homo homini lupus*: man is as wolf to man."

Of course, these seeds do not always grow. In many (if not most) organizations, competing natural inclinations on the part of high-ranking humans for nurturing and loving behavior, as well as social norms of fairness or the labor market power of employees, prevents this from occurring. However, the potential is always there.

Solutions

One solution to this problem is to be aware of the potential for problems. For those in positions of power in organizations it might be helpful for them to be more self-aware and to be sensitive of the dangers of rationalizing in other terms (such as organizational goals) what is really some very natural human behavior. Those who are inculcated with the values of a democratic society need to be sensitive to the potential for treading on these values in the workplace. They might also be more careful about putting in positions of power individuals who have such a high need for power that they are likely to use it excessively.

Since, as Eibl says, the drive for power has no inherent limits, there may be a need for limits to be placed upon it by society in general or by the countervailing power of lower-level members of the organization. This means regulation by government to assure basic human rights such as free expression and privacy or some form of collective action by workers. One of the classic responses to tyranny of leaders, whether baboon or human, is the "mobbing" of the strong individual by the collective strength of weaker ones.

Conclusions

The argument of this speech is that (1) there is such a thing as human nature; (2) it includes a tendency to form dominance orders that have certain endemic characteristics; (3) human rights such as the right to human dignity ought to exist in work organizations and are inevitably threatened

by some of the characteristics of hierarchy; and (4) the solutions to these threats include education of managers, law, and collective worker action.

As I said in one of my presidential columns in the *Newsletter*, I would like to see the IRRA be a place where ideas are created and debated. Hopefully, this purpose will be forwarded by this talk.

II. REFEREED PAPERS ON LABOR-MANAGEMENT RELATIONS

Employer Escape from Collective Bargaining: A Longitudinal Analysis

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Most collective bargaining relationships feature the regular negotiation of contracts. Increasingly, however, some of these relationships are being terminated. And scholars have begun to examine the termination of relationships as the product of employer strategic choice (Kochan, Katz, and McKersie 1986).

In *Strategic Negotiations*, Walton, Cutcher-Gershenfeld, and McKersie (1994) present "escape" as one of three change strategies available to alter substantive or social contracts. In contrast with the other two strategies—fostering and forcing change—escape is a change process intended to sever the relationship.

The analysis of escape in *Strategic Negotiations* centered on the way industry characteristics influenced the feasibility and desirability of this (and other) strategic choices. Focusing on three industries (paper, auto parts, and railroads), escape was found to be desirable in all three industries but less feasible in paper and railroads due to the difficulty or inability to transfer operations.[1]

While the data in *Strategic Negotiations* served to extend understanding of escape, the analysis was incomplete. Key legal and historical developments should be part of the equation. Here we present a more highly

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developed model for examining escape, using a larger set of relationships and a larger sample of industries.

A Model of Bargaining Unit Disappearance

At the industry level, a model of unit disappearance may be represented by the following equation:

$$[1]\ (SUM)DIS = (SUM)UBC + (SUM)UPR + (SUM)NUL + (SUM)TUL + (SUM)LOS,$$

where DIS = the disappearance of a local collective bargaining relationship, UBC = the closing of a unionized business, UPR = the relocation of a unionized business to a nonunion site, NUL = the complete substitution of nonunion labor for union labor, TUL = the complete substitution of technology for union labor, LOS = a union's loss of certification as collective bargaining representative.

Of all the variables in the model, closings have received the most attention. There is evidence that the atmosphere created by the rise in closings was turned to the advantage of employers. But whether employers to any great degree actually closed operations to escape unionization is a more complex issue (Bluestone and Harrison 1983). Thus the link between firm failure and escape behavior is plausible, although still a bit speculative. But there is much more evidence that relocations have been undertaken to escape unionization (Jaffee 1986, 1988). Bluestone and Harrison (1982:165) write: "During the 1950s and 1960s the practice of running from unions grew so much that by the 1970s the northern-based industrial unions had been severely weakened." David Jaffee (1986, 1988) found that the strongest predictor of firm location between 1970 and 1980 was a state's rate of unionization.

Less clear is whether input substitution is linked to escape. In one of the more thorough treatments of subcontracting, Kelley and Harrison made specific inquiries about industrial relations practices: "By itself, independent of the cost of labor, we find no statistically significant evidence that subcontracting practices of U.S. manufacturers are part of a union avoidance strategy" (1990:1283).

It has also become axiomatic that unions resist technological change (Hieb and Moody 1981). However, again the evidence is not very supportive (Keefe and Kohl 1993). In fact, Weikle and Wheeler (1984) report that their survey of local union leaders revealed "a rather mild form of encouragement" of new technology. Rather than seeing technological substitution as a form of escape behavior, many unionists believe that the competitiveness of their firms is linked to technological development (Rainbird 1988).

With union decertification there is really no question of motivation. The only reason why the parties would challenge the right of a union to represent workers is out of a desire to escape the obligations of collective bargaining. But since we have no accurate count of the number of bargaining relationships in the economy, it is very difficult to interpret the trend in decertification activity.

Historical and Legal Context

A factor not fully explored in *Strategic Negotiations* is the changes that may have occurred in effects during the past couple of decades. The volatile economy since the early 1970s and even more volatile politics of federal labor relations policy may have contributed to employer escape behavior. Some critics complained that the NLRB, following the seating of a conservative majority in May of 1983, was quite deliberate in eroding the act's collective bargaining mandates (Gould 1993).

Notable decisions during the period included *Otis Elevator II*, 269 NLRB 891 (1984), which whittled the bargaining obligation over capital decisions, and *Milwaukee Spring II*, 265 NLRB 206 (1982), which allowed employers to move work during the life of contract, even if to avoid a provision of a labor agreement.

Hypotheses

All else equal, employers in a given industry will be more likely to pursue an escape strategy when industry characteristics increase the feasibility of escape (Walton, Cutcher-Gershenfeld, and McKersie 1994). Specifically, we expect the following: (1) higher levels of capital intensity will be associated with a lower disappearance rate, (2) higher firm failure rates will be associated with higher disappearance rates, and (3) changes in the interstate distribution of firms will be associated with higher disappearance rates. Although input substitutions and decertifications may also be predictors of unit disappearance, previous research leads to no strong hypotheses concerning these variables.

In addition to the factors noted above, we will also be examining the impact of contextual changes that occurred after 1983. Specifically, we would expect that after 1983, relationships would be more likely to disappear as a result of shifts in the interstate distribution of establishments and less likely to disappear as a result of firm failures.

Besides the variables presented in equation (1) and those just mentioned, controls are included for union penetration rate and employment growth. Although 1983 is expected to be a pivotal year because of the

change in the board, post-1986 changes are also measured due to the possible delay in effects.

Data and Methods

The dependent variable in this study is the percentage of disappearing bargaining relationships by industry observed between the mid-1970s and 1990. A panel of 1411 relationships across 14 manufacturing industries[2] was constructed from the key files of U.S. Department of Labor's collective bargaining agreement archive. The mean size of a bargaining unit in the sample is 606 members (sd = 780); the median is 350. Relationships were followed forward in approximately three-year waves using the *Register of Reporting Labor Organizations*. If a local union was dropped from the *Register*, the relationship was coded as having ended. Registers were published in 1980, 1983, 1986, and 1990. Since the final period is longer than the previous three, the disappearance rate for that period is weighted accordingly. Due to the method of observation, only single location relationships could be tracked. Cases were aggregated for industry-level analysis. With 4 time periods and 14 industries under observation, N = 56.

Looking at the following data (Table 1), we can see that the average number of disappearances increased fairly dramatically from period 1 to period 2 and from period 2 to period 3. The disappearance rate of relationships remained close to 9% in the final period.

TABLE 1
Disappearance Rate, 1977-90

SIC/Industry		Period 1	Period 2	Period 3	Period 4	Mean (SD)
20	Food	.0448	.1641	.0583	.0647	.0830 (.0547)
22	Textiles	.0698	.0750	.1719	.1490	.1164 (.0517)
24	Lumber	.0238	.0976	.1903	.0455	.0893 (.0741)
25	Furniture	.0323	.0000	.0684	.0000	.0252 (.0326)
26	Paper	.0268	.0414	.0303	.0538	.0381 (.0122)
28	Chemicals	.0072	.0365	.0562	.0898	.0474 (.0347)
29	Petroleum	.0000	.0000	.0964	.0660	.0406 (.0485)
30	Rubber	.0682	.0500	.0544	.1100	.0706 (.0274)
32	Stone	.0353	.0488	.0939	.1301	.0770 (.0434)
33	Prim. Metals	.0125	.0506	.0565	.1348	.0636 (.0513)
34	Fab. Metals	.0202	.0417	.0807	.0932	.0590 (.0338)
35	Machinery	.0370	.0604	.0868	.1058	.0725 (.0301)
36	Elec. Equip.	.0379	.0551	.0526	.0579	.0509 (.0089)
37	Trans. Equip.	.0328	.0847	.1060	.0953	.0797 (.0325)
	Mean	.0321	.0576	.0859	.0854	
	(S.D.)	(.0321)	(.0409)	(.0455)	(.0403)	

Independent variables representing both the phenomena of primary theoretical interest (see equation 1) and several important controls are examined: (1) percent of firm failures (mean = .80, sd = .47), (2) percent change in interstate distribution of establishments (mean = 5.38, sd = 1.41), (3) percent change in new capital (mean = -.21, sd = 9.78), (4) percent change in small firms (mean = .26, sd = .89), (5) percent change in establishments (mean = .90, sd = 1.98), (6) percent of assets in capital (mean = 37.53, sd = 9.91), (7) decertification rate (mean = .88, sd = .46), (8) percent change in employment (mean = -.88, sd = 2.86), and (9) union penetration rate (mean = 34.18, sd = 13.33).[3]

Results and Discussion

To test the association between the independent variables and unit disappearance rate, several models were run.[4] The model includes all the variables just mentioned. Models (2) through (5) include time period dummy variables plus cross-products for time period, firm failure, and changes in interstate distribution.

The results of the regression analysis (Table 2) demonstrate support for the hypotheses stated earlier. In model (1), as expected, both the firm failure rate and changes in interstate distribution are significant predictors of unit disappearance. Further, capital intensity and growth in the number of establishments are significant negative predictors. None of these results are surprising and suggest that bargaining relationships disappeared in economically distressed, geographically shrinking labor intensive industries.

Model (2) indicates that there was a change in the model's intercept as shown by the significance of the time period dummy variable. Further, change in interstate distribution remains significant as does the trend in the number of establishments and capital intensity. Most notable, however, is the amelioration of significance—and change in the sign—of firm failure rate. This finding suggests that after 1983 the increase in unit disappearances may have been less linked to economic distress and may further suggest that employers were engaging more in the escape behaviors discussed in *Strategic Negotiations*.

In model (3), cross-products representing the variables of primary theoretical interest and the post-1983 period are entered into the model but are not significant.

Models (4) and (5) show the changes after 1986. The post-1986 dummy variable alone is not significant. However, the cross-product of the post-1986 time period and the firm failure variable is significant and shows a change across the time period to a negative and significant relationship between firm failure rates and unit disappearance. This would suggest that

TABLE 2
Regression Results (Standard Errors in Parentheses)

	Model 1	Model 2	Model 3	Model 4	Model 5
Firm Failures	.0365**	-.0117	-.0531	.0246	.0500*
	(.0112)	(.0173)	(.0391)	(.0241)	(.0280)
Interstate Change	.0074*	.0126**	.0134*	.0082*	.0106*
	(.0046)	(.0042)	(.0055)	(.0048)	(.0054)
Subcontracting	-.0020	-.0081	-.0089	-.0006	-.0031
	(.0078)	(.0071)	(.0072)	(.0083)	(.0082)
New Capital	-.0001	-.0007	-.0007	-.0009	-.0012
	(.0001)	(.0007)	(.0007)	(.0008)	(.0008)
Decertification	.0006	-.0005	.0000	.0000	.0000
	(.0015)	(.0013)	(.0001)	(.0002)	(.0001)
Estab. Change	-.0093**	-.0114***	-.0116***	-.0097**	-.0010***
	(.0030)	(.0026)	(.0027)	(.0009)	(.0029)
Capital Intensity	-.0010*	-.0019**	-.0021**	-.0013*	-.0014*
	(.0006)	(.0006)	(.0006)	(.0008)	(.0008)
Union Penetration	-.0006	-.0005	-.0006	-.0006	-.0040
	(.0005)	(.0004)	(.0004)	(.0005)	(.0005)
Employment	.0001	-.0003	-.0006	-.0002	.0008
Change	(.0028)	(.0024)	(.0025)	(.0029)	(.0029)
Post-1983		.0606**	.0461		
		(.0180)	(.0408)		
Post-1983 X					
Firm failure			.0500		
			(.0422)		
Post-1983 X					
Interstate Change			-.0019		
			(.0075)		
Post-1986				.0172	.0975*
				(.0305)	(.0510)
Post-1986 X					
Firm Failure					-.0862**
					(.0398)
Post-1986 X					
Interstate Change					.0024
					(.0098)
Constant	.0689*	.0871**	.1128**	.0804*	.0534
	(.0415)	(.0363)	(.0465)	(.0467)	(.0555)
R^2	.59	.70	.71	.59	.80
Adj R^2	.47	.60	.59	.46	.65
F value	4.90***	7.00***	5.84***	4.34***	4.41***
Durbin-Watson	2.04	2.15	2.11	1.97	2.25

*** p.<.001
*** p.<.05
*** p.<.10

by the end of the decade unit disappearances were occurring in relatively less distressed industries.

Much caution is needed in interpreting these results. These findings do not trace a direct causal link between public policy shifts and employer behavior, but they create what might be considered a rebuttable presumption that the policy environment facilitated employer strategic choice. In the absence of other events occurring during the years after 1983, this analysis suggests that employers absent a strong economic motive were increasingly choosing to escape collective bargaining relationships. Note, however, that this is an industry-level analysis, and the risks of ecological fallacy are present. But in spite of these shortcomings, the model does suggest that industry economic distress likely became a less salient variable later in the 1980s but that changes in interstate distribution remained relatively important. If these latter assertions hold up to more rigorous examination, then an argument can be made that employers increased their use of escape as a strategic choice alternative.

Endnotes

[1] Similarly, the ability to operate during strikes (high in paper, low in auto parts and railroads), the receptivity of labor to proposed changes (higher in auto parts than in paper and railroads), and the decentralization of bargaining structure (high in paper, moderate in auto parts, and low in railroads) all affect the choice between a forcing and fostering strategy.

[2] In this analysis, only manufacturing firms are included. This was done to have firms at risk on all factors represented in equation 1 and to make for a more equal basis of comparison across cases. Several industries could not be included due to the paucity of cases fitting the selection criteria. Fourteen 2-digit SIC manufacturing industries are examined. Those excluded are tobacco, apparel, printing, leather, instruments, and miscellaneous manufacturing.

[3] The independent variables were calculated as follows: The firm failure rate is the percent of firms per industry having gone out of business owing money (Dun and Bradstreet, *Firm Failure Report*, 1974-90). The change in interstate distribution is the total percent change of establishments across the 48 states, by three-year period, calculated from the Census Bureau's *County Business Patterns*. The subcontracting proxy is the increase in the number of firms employing fewer than 100 people, as calculated from the *Annual Survey of Manufacturers*. Although admittedly imprecise, this proxy may pick up outsourcing behavior as larger firms subcontract to smaller firms (Piore and Sabel 1984). The technological change variable is the annual percentage increase in new capital investment from the Census Bureau's *Annual Survey of Manufacturers*. The decertification rate is an approximation of the number of decertification elections per bargaining unit calculated from NLRB *Annual Reports* and sample characteristics. Employment change is the percent change in employment calculated from the Bureau of Labor Statistics' *Employment, Hours, and Earnings*. Capital intensity is the percent of assets, per industry, in machinery and equipment as reported in the Census Bureau's

Quarterly Financial Report. Union penetration was derived from Hirsch and MacPherson (1994).

[4] Dependent variable in this analysis is the disappearance rate expressed as a percentage. Although this is a constrained value, regression diagnostics revealed no major problem in using an ordinary least squares technique.

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The PATCO Strike: Myths and Realities

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There are few empirical studies on permanent replacement strikes. This sparse research literature is diffuse because some studies have analyzed Canadian strikes (Budd 1994; Gunderson and Melino 1990), where striker replacement laws vary by province, while others have examined U.S. strikes (LeRoy 1995; Schnell and Gramm 1994; GAO 1991). The U.S. studies have been hampered by data-collection problems and, therefore, have limited generalizability. Nevertheless, there is general recognition that these strikes have important consequences for collective bargaining and merit further investigation (Kaufman 1992:119).

Although empirical research on replacement strikes is quite limited, the industrial relations academy appears to have accepted on faith that the 1981 PATCO strike was a watershed event, palpably changing labor-management relations. In that strike President Ronald Reagan hired replacements for 11,000 air traffic controllers who were engaged in an unlawful strike (Northrup 1984). The conventional wisdom suggests that the PATCO strike had three basic effects:

1. The PATCO strike caused more employers to threaten or actually hire permanent replacements in the event of strikes (Johnston 1995). Secretary of Labor Robert Reich (BNA 1993), also professor of political economy at Harvard, stated: "The practice of permanent striker replacement became a more prominent feature of American labor relations only in the last dozen years. I believe many employers were emboldened when, in 1981, 11,400 PATCO strikers were fired and permanently barred from reinstatement." Former IRRA and Steelworkers President Lynn Williams essentially agreed when he testified before Congress that replacement strikes occurred only infrequently before PATCO (Williams 1991).

2. There is wide belief that as a consequence of the first effect, the right to strike has been chilled. David Lipsky stated that hiring of permanent striker replacements "wasn't something that management did until

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the 1980s. It has a chilling effect on unions and their propensity to strike" (quoted in Greenhouse 1996). Kochan, Katz, and McKersie (1986) echoed this view, albeit without directly mentioning the PATCO strike: "The early 1980s, generally, were characterized by an increased willingness on management's part to hire replacements in an effort to break strikes." In addition, some BLS data (U.S. DOL 1995) lend prima facie support to this view, showing that the mean of annual work stoppages in bargaining units with 1,000 or more workers plummeted from 288 for strikes in the 1970s to 83 for strikes in the 1980s.

3. At least one study (LeRoy 1993:263-65) suggested the possibility that since the PATCO strike has led to diminished strike activity and declining strike activity has been associated with compensation gains in CBAs trailing the annual increases in the cost-of-living, the PATCO strike helped to diminish union bargaining power. Former AFL-CIO President Lane Kirkland (BNA 1992:E-2) lamented that "(e)mployers with the power to hire permanent replacements have little incentive to negotiate a decent contract. Why bother with collective bargaining when you can provoke a strike by union workers, and then permanently replace them with a lower-paid, non-union workforce?"

The idea that the PATCO strike adversely affected American collective bargaining is pervasive because so much circumstantial evidence suggests that this is so. Perhaps no one can recall a replacement strike of this size or visibility in the many years leading up to 1981, and yet in the following decade, numerous replacement strikes occurred on a large and nationally visible scale. The airline industry, closely situated to the FAA and PATCO, only rarely had replacement strikes before 1981 (see *In re Application of Air Line Pilots Assn.* [1964] and *Peterson v. Airline Pilots Assn.* [1985]), so few people noticed them; but after the PATCO strike, permanent striker replacements were hired by Continental (*Air Line Pilots Assn. v. O'Neill* [1991]), United (*Air Line Pilots Assn. v. United Airlines* [1986]), TWA (*TWA v. Independent Federation of Flight Attendants* [1989]), and Eastern (*Eastern Airlines v. Air Line Pilots Assn.* [1990]).

The problem with this view is that it is supported by just a few cases. Also, the timing of these strikes, although explainable by reference to the PATCO strike, may on closer inspection be related to something else. For example, no one really knows whether the PATCO strike influenced major air carriers to adopt striker-replacement strategies or, alternatively, whether industry deregulation and subsequent price competition sparked from nonunion start-ups in the early 1980s induced the major carriers to adopt more confrontational labor relations practices.

Data Collection

No government agency conducts a survey on permanent replacement strikes. Thus research on these strikes requires independent data collection. I developed a database of 518 NLRB, NMB, or state court decisions that report a strike in which an employer actually hired permanent striker replacements. There are several advantages in constructing a database from these decisions. Most clearly indicated that permanent replacements were hired, and most reported when these strikes began. Some failed to make clear whether replacements were permanently hired. None was entered into the database unless I was reasonably certain from the reported facts that replacements were hired on a permanent basis (e.g., where an employer fired all of its strikers at once and hired replacements for them).

This methodology has flaws, of course. The most serious one is that this sample cannot be assumed to reflect the population of permanent replacement strikes. An unknown number of these strikes do, in fact, settle before they are litigated before the NLRB, NMB, or a state court. So the findings I report here may apply only to intractable strikes.

Results

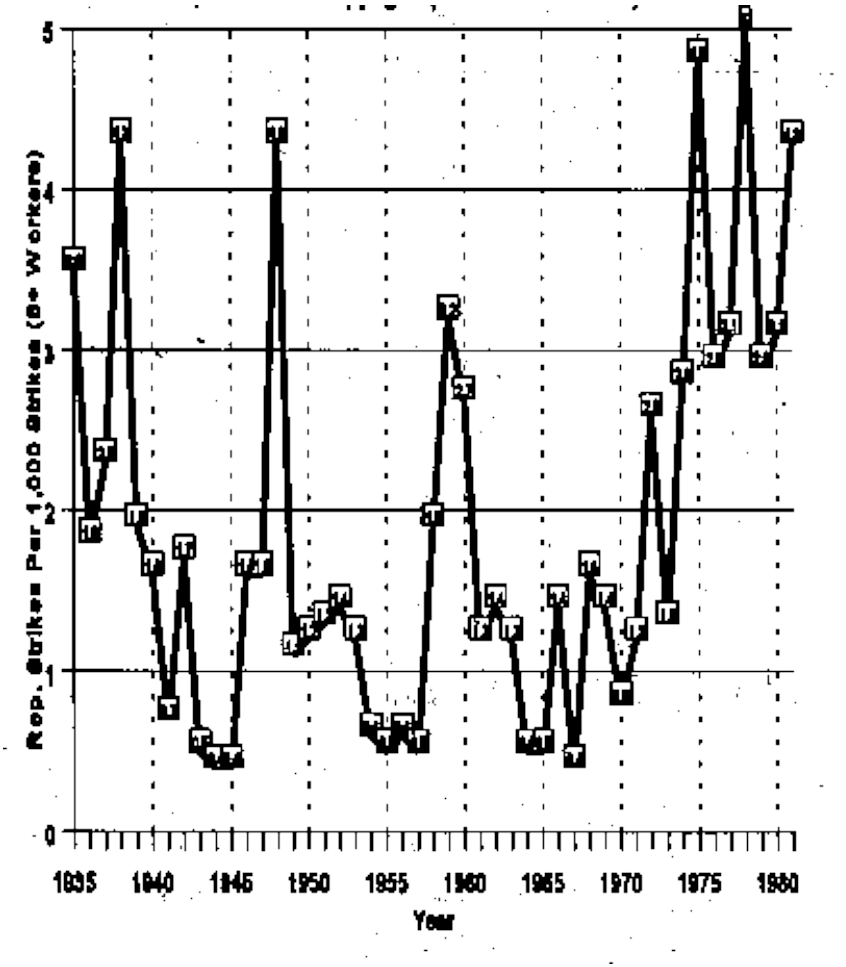
Figure 1 was generated by comparing replacement strike frequency in my sample with a BLS tabulation of work stoppages involving six workers or more during 1930-1981 (U.S. DOL 1983). Since replacement strikes occur much less often than strikes in general, I reported the normalized statistic in Figure 1 as replacement strikes per 1,000 work stoppages. In keeping with the BLS survey, I tabulated replacement strikes by the year the strike began. Fifteen cases in my database did not state when a strike began and, therefore, were not included. I compared replacement strike frequencies from 1935 (when the NLRA was enacted) to 1981, the year following the PATCO strike and also the last year that BLS conducted this broad survey of strikes. Using these years, 362 strikes from my database were included. Here are the main findings:

1. Permanent replacement strikes occurred every year since the NLRA was enacted. This contrasts with the conventional wisdom which, by suggesting that permanent replacement strikes occurred only after the PATCO strike, implies that these strikes did not occur in earlier years.

2. The standardized frequency of permanent replacement strikes was cyclical. It appeared to bottom when unemployment was low during World War II and the early to mid-1950s.

3. Prior to the 1970s, the standardized frequency peaked sharply, but only for a year in 1938, 1948, and 1959. There is no clear reason for this.

FIGURE 1
Permanent Replacement Strikes Per
1,000 Work Stoppages (6 or More Workers)



However, *Mackay Radio* (the Supreme Court decision providing an employer's right to hire permanent replacements) was decided in 1938, 1948 was the first year Taft-Hartley was in effect, and 1959 was the year that Landrum-Griffin (including its then controversial provision affecting the eligibility of replaced strikers to vote in decertification elections) was enacted. Possibly, these legal watersheds temporarily disturbed the natural pattern, as more employers tried out their new rights during labor disputes.

This theory may or may not account for these aberrations; the more important matter is that standardized replacement strike frequency remained between 0.4 and 2.3, except for these short-lived anomalies from 1935-1970.

4. Starting in 1971, however, the standardized frequency of replacement strikes began to increase steadily from 1.2 in 1971 to 4.8 in 1975. In contrast to earlier peaks, which occurred and ended much more suddenly, these replacement strikes peaked and then plateaued in a range from 2.9 to 5.0 strikes per 1,000 strikes. This period lasted from 1975-1981.

5. Peak replacement strike frequency was about the same in the 1970s as earlier periods (4.3 replacement strikes per 1,000 in 1938; 4.3 in 1948; 3.2 in 1959; 4.8 and 5.0 in 1975 and 1978, respectively).

Research Implications

Although these findings can only be viewed as preliminary, they credibly challenge aspects of the conventional understanding of the PATCO strike. President Reagan's hiring of permanent striker replacements is assumed to have popularized employer hiring of permanent replacement strikes; Figure 1 suggests, to the contrary, that President Reagan merely mimicked an employer response to strikes that gained popularity throughout the 1970s. If this trend began in the 1970s, it is important to understand why. Here are four research perspectives that are implicitly closed off by the current mythology surrounding the PATCO strike:

1. The upsurge in permanent replacement strikes during the 1970s seems to be explainable in terms of declining union density in various industries and labor markets during this period. It is plausible to suggest that various labor markets had reached a point by the mid- or late 1970s where the pool of substitute nonunion labor willing to cross a picket line was large enough to induce more employers to hire permanent striker replacements. Currently, the relationship between union density and frequency of permanent replacement strikes is poorly understood.

2. In a separate but related vein, anecdotal evidence appears to suggest that unemployment plays an important role in some permanent replacement strikes. The UAW strike at Caterpillar in 1991-1992 illustrates this. In the midst of a "jobs recession," Caterpillar ran ads soliciting permanent striker replacements in newspapers throughout the country, set up a toll-free phone number to take applications, and within days was swamped by tens of thousands of calls (Rose 1992). There seems to be little doubt that this response caused the UAW to rethink its strategy and return to work without a contract. This is only one strike, however, in which an employer appears to have leveraged favorable unemployment conditions to support

its permanent striker replacement strategy. The role that unemployment plays in permanent replacement strikes has not been carefully analyzed.

3. Some research in the late 1970s and 1980s showed or suggested that management consultants and attorneys played a growing role in formulating union-avoidance strategies (Lawler and West 1985). Nevertheless, there is little understanding of the extent to which these agents influenced employers to respond to strikes by hiring permanent replacements.

4. Figure 1 shows that permanent replacement strikes, after peaking at 4.8 per 1,000 in 1975, peaked again in 1978 at 5.0 and hit a shorter peak in 1981 at 4.3. By the late 1970s some vital sectors of the economy (for example, trucking and air transport) were being deregulated. It is plausible that actual or anticipated increases in supply-side competition changed the rules of engagement between unions and employers who previously negotiated in regulated markets. The airline industry is a possible case in point. While a rash of replacement strikes occurring in the 1980s are plausibly explained by the PATCO strike, another plausible explanation is that Continental, TWA, Eastern, and United hired permanent replacements as part of a strategy to radically transform themselves into low-cost carriers.

Conclusion

Our understanding of permanent replacement strikes has probably been obscured by a theory that has latent political overtones and some conveniently supporting anecdotes. The results here suggest a much different reality and the following conclusions. First, permanent replacement strikes should be examined using the same theories that have explained strikes in general. The cyclicality of replacement strikes suggests that the business cycle, unemployment, and formal changes in labor law have much more explanatory power than the imagined causation that is consistently attributed to the PATCO strike. Second, considering that the standardized measure of replacement strikes reached only slightly above earlier historical peaks, the most recent upsurge occurring in the 1970s was not an exceptional phenomenon. This stands in contrast to the current PATCO strike mythology, which assumes without any documentation that the contemporary period is marked by an unprecedented level of replacement strikes. Finally, the PATCO strike is popularly believed to be a causal agent in American industrial relations; but the data here suggest to the contrary that the PATCO strike may be more of an effect resulting from fundamental changes in union-management relations occurring in the 1970s than a stimulus for these changes in the 1980s and 1990s. Changes in employer labor relations philosophy, government regulation of product and service markets, trade policies and resulting supply-side competition, and labor law

doctrines are more likely to explain increased replacement strike frequency than the PATCO strike.

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Employee Stock Ownership Plans: Whose Interests Do They Serve?

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Employee Stock Ownership Plans (ESOPs) are an example of a human resource benefit designed to more closely align the interests of employees and employers. Yet the range of different ways an ESOP can be structured suggests that plans will not address employee or employer interests in the same way. Plans can be set up to be more favorable to the employer, to the employees, or to certain subgroups of employees. In order to understand how ESOP structures serve different interests, it is helpful to examine the impact of unions. The presence of a union makes the ESOP a potential subject of negotiations. As we will see, the result of union involvement is usually a more democratic and egalitarian ESOP which influences whose interests are or are not served.

Controversy regarding the extent to which various stakeholders benefit from ESOPs (Kuttner 1987) is attributed to the wide variance in ownership arrangements (Conte and Svejnar 1990a, 1990b). Some ESOPs own a majority of firm stock, while others own an insignificant proportion. In cases where ESOPs own a majority of stock, the employee-owners may or may not have full voting rights (Ben-Ner and Jones 1995). Some ESOP firms have adopted innovative human resource practices, others have maintained a traditional hierarchical organizational structure with little employee participation.

This paper examines the influence of unions on ESOP structure and contributes to our understanding in several ways. First, the analysis extends the literature on stakeholders and ESOPs. Second, this extends the literature on the nature and impacts of trade unions (Freeman and Medoff 1984). Finally, this work helps inform public policy debates about ownership and representation relevant to employees and employers. This paper

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begins by exploring the relationship between unions and employee ownership. This discussion provides the foundation for hypotheses that are tested based on data collected from a sample of 68 ESOP firms in Michigan.

Unions and Employee Stock Ownership

Unions have not been strong advocates of employee ownership (McElrath and Rowan 1992). ESOPs pose a complex dilemma for unions. ESOPs represent a potential benefit in an era where financial gains in collective bargaining are elusive. Whereas the responsibilities associated with stock ownership further blurs the roles of unions and employees when it comes to economic performance.

Recently, unions have cautiously endorsed ESOPs (Kruse 1996). Labor's solicitude has some validity. For example, unions are concerned that ESOPs may (1) negatively impact employee pension plans by adding to employee risk, (2) be part of a union avoidance strategy, (3) undermine union gains through whipsawing, and (4) be structured to benefit management and outside investors to the detriment of nonmanagement employees (McElrath and Rowan 1992; Whyte and Blasi 1984).

There has been debate regarding the need for unions in the employee ownership context (McElrath and Rowan 1992). There are cases, such as Adrian Fabricators (Block et al. 1990) and Jeannette Glass (Whyte and Blasi 1984), where a formerly unionized firm was reconstituted as a nonunion employee-owned facility. Each time, the employees eventually recertified with a collective bargaining representative. Sockell (1985) found that stock ownership was unrelated to employees' perceived need for a union. Thus unions play an important, if complex, role in labor relations in ESOP firms. If one accepts that the employment relationship consists of both common and competing interests (i.e., mixed-motive), then employee ownership and unionism are congruent.

Does Unionization Make a Difference?

Conte and Svejnar (1990a, 1990b) collected data from 40 companies (31 nonunion and 9 union) that had various forms of "employee ownership" including profit sharing, worker cooperatives, and ESOPs. While they found that unionization had a positive effect on productive efficiency, their sample did not focus solely on ESOP companies. The study assessed a limited number of ESOP attributes as well as not assessing the impact of unionism on these attributes.

Why might differences exist between union and nonunion ESOPs? What might this contrast look like? The AFL-CIO set forth guidelines on ESOPs which is informative (Table 1). The guidelines focus on providing

TABLE 1
AFL-CIO Guidelines on ESOPs

Pension Plans:	Replacement of an ESOP for a pension plan should be avoided
Participation:	Employees should be involved in decision making and information exchange prior to and after the establishment of an ESOP
Voting Power:	Employees should have a right to vote their stock immediately
ESOP Trustees:	Employees should be represented on ESOP board of trustees
Allocation:	Allocation of stock should be equitable between managerial and nonmanagerial employees and not based on salary alone
Vesting:	The vesting period should be of a reasonable duration

Source: McElrath and Rowan (1992:102)

"real shareholder rights, employee participation, and fairness" to union members in ESOPs (Blasi and Kruse 1991:505). Whether or not unions have been able to deliver and significantly impact the structure of ESOPs at this point is speculative and based on high profile cases, such as Weirton Steel and United Airlines. For the most part, these cases do offer support for the perspective that union involvement results in a more "employee friendly" ownership arrangement.

In addition, union and nonunion settings may differ in terms of the typical worker that is "heard" by management (Freeman and Medoff 1981). In a nonunion firm, management will be inclined to respond to the concerns of the marginal or highly mobile worker. Thus policies and programs within the firm (e.g., an ESOP) will more likely reflect the needs of the marginal worker. A union, as a political institution, tends to represent the interests of the median worker. In the ESOP context, the marginal worker may not be as concerned about whether the ESOP replaces the existing pension plan at the organization, whereas the median (i.e., less mobile) worker may have much greater concern about modifications to the pension plan. Since employees with disparate interests are heard, then union and nonunion firms would adopt ESOPs with noticeably different features.

Another reason to expect differences between union and nonunion ESOPs is because of "collective voice" (Freeman and Medoff 1984). Unions provide workers with an opportunity to express concerns and desires without fear of retaliation. This protection allows employees to be more honest. Because employees have the opportunity to voice their true concerns, management is given better information to understand and perhaps implement policies which better meet employee needs.

Finally, in a union setting the gains associated with an ESOP will be carefully balanced against other economic or participative opportunities. Since many ESOPs in union settings are forged in tandem with concessions, support for the ESOP must remain after the concessionary climate has passed. This will be complex if the ESOP builds commitment to the employer while reducing union commitment. Therefore, the presence of a union may convert the ESOP into an area of contested terrain.

Thus we would hypothesize that unions may influence ESOPs in several ways. First, for those firms where union members are participants in the ESOP, the plan will be characterized by greater employee influence (reflected in the ownership structure); there will be a higher level of employee participation regarding company strategy, company performance, and employment relations; and the impact of the ESOP on economic and institutional outcomes will be subject to closer scrutiny, which will directly raise the issue of whose interests are served by the ESOP.

Methods

In 1990, with the assistance of the Michigan Center for Employee Ownership, the authors sent a survey to 230 potentially employee-owned firms. Seventy-one firms returned the survey stating that they had never had an employee ownership plan or no longer were employee-owned. Of the remaining 169 firms, 68 (40%) provided responses. The 68 firms represented an array of industries. The majority of firms were nonunion (75%), while 10 firms (15%) had bargaining unit employees participating in the ESOP.

Hierarchical multiple and logistic regression were used based on the following equation:

$$\text{Step One:} \quad DV_i = \text{Constant} + b_1\text{Manufac}_i + b_2\text{Size}_i + b_3\text{Private}_i$$
$$\text{Step Two:} \quad + b_4\text{Union}_i$$

The dependent variables (DV) consist of ESOP attribute and employee participation factors. The UNION variable is 0 if the firm is nonunion or if some employees are union members but no union employees participate in the ESOP, and 1 if bargaining unit employees participate in the ESOP. This model is testing for the additional explanatory relevance of the UNION variable.

The other variables in the equation are controls. MANUFAC takes on the value of 1 if the firm is a manufacturer and 0 otherwise. Level of employment (SIZE) is included since research has found a positive relationship between firm size and innovations (Kochan, McKersie, and Chalykoff 1986). Larger firms may need participatory programs in order to reduce alienation, or perhaps smaller firms lack the resources necessary to support

innovations. The variable PRIVATE controlled for whether the firm's stock is privately held (1) or publicly traded (0). This variable is added since "publicly traded ESOPs are required by law to issue voting stock to employee-owners," while "privately owned ESOP companies are not required to have voting shares" (Conte and Svejnar 1990a:67).

Table 2 provides variable descriptions. The ESOP attributes are dichotomous variables. The participation variables measured employee influence in 16 firm decisions (Klein 1987). From the 16 items, factor

TABLE 2

Variable Descriptions and Sample Means[a]

Variable	Description	Means
Union	= 1 if union workers participate in ESOP	.15
Manufac	= 1 if manufacturing	.44
Size	total number of employees	703
Private	= 1 if company is privately held	.87
	ESOP Attributes	
Orig. Stock	= 1 if the percentage of voting stock originally obtained by the ESOP is greater than 50%	.14
Plan Part.	= 1 if more than 50% of the firm's employees participate in the ESOP	.80
Salary	= 1 if allocations from the ESOP to individual employee accounts is determined by salary	.10
Hours	= 1 if allocations from the ESOP to individual employee accounts is determined by hours worked	.16
Vesting	= 1 if vesting schedule of allocated stock is immediate	.16
Vote	= 1 if employees can vote their allocated shares on all shareholder issues	.33
Emp. Board	= 1 if an hourly employee is on the board of directors	.13
Emp. Design	= 1 if employees participated in the design of the ESOP	.17
Emp. Select	= 1 if employee shareholders participate in selection of the board of directors	.36
	Employee Participation	
Strategic	employee participation in strategic decisions	1.93
Performance	employee participation in decisions impacting work performance	3.20
Employment	employee participation in decisions impacting the terms and conditions of employment	2.30

[a] For some of the variables there were missing cases. N ranged from 63 to 68.

analysis extracted three scales. The scales included strategic decisions (alpha = .77), work performance decisions (alpha = .86), and employment relations decisions (alpha = .81).

Empirical Results

The correlation results in Table 3 suggest that the firms which have union members participating in an ESOP tend to be (1) larger, (2) publicly traded, and (3) found in the manufacturing sector. Moreover, the UNION variable is positively correlated with nearly all of the dependent variables. The regression results in Table 4 show that the UNION coefficient is positive for almost all the dependent variables. In the logistic regression the improvement chi-square was significant for several of the dependent variables. These results suggest that when union members participate in an ESOP, there is a higher probability that (1) the ESOP originally obtained more than 50% of the voting stock, (2) allocations to individual employee accounts is based on hours worked, (3) an hourly employee is on the board of directors, and (4) employees participated in the design of the ESOP.

The results are mixed regarding the three dimensions of employee participation. Whether or not a firm has union employees taking part in the ESOP is unrelated to strategic or performance dimensions of participation. However, firms with union members that are ESOP participants report greater employee participation regarding employment relations issues.

Discussion

The results from this analysis suggest that union participation in ESOPs has an influence on the nature of employee ownership arrangements. When bargaining unit workers participate in ESOPs, there is a higher probability that more than 50% of the firm's voting stock is originally obtained by the ESOP. In short, there is a higher likelihood of majority employee ownership. Second, there tends to be a greater emphasis on "hours worked" as an allocation criterion. This reflects a more egalitarian approach to stock ownership. Third, there is a higher probability that employees serve on the board of directors and employees participated in the design of the ESOP.

Employee participation regarding decisions impacting the terms and conditions of employment, according to these data, is greater in firms where union members are ESOP participants. These results reaffirm the union's traditional role as an advocate for greater employee influence in this area. There appears to be no significant difference between firms which have union ESOP participants and those that do not regarding employee participation surrounding strategic or work performance issues.

TABLE 3
Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Union	—	.13	.26	-.33	.20	-.11	.13	.27	.15	.24	.36	.35	.30	.07	.09	.28
2. Manufac		—	.08	.10	.01	.23	-.01	.01	.09	.02	.13	.13	.22	.32	.25	.42
3. Size			—	-.55	-.08	-.13	-.08	-.06	.07	.36	-.10	.22	.09	.09	.20	.20
4. Private				—	.16	.24	.13	.05	-.07	-.56	.15	-.15	-.15	.10	-.02	-.04
5. Orig. Stock					—	.20	-.14	.41	-.18	-.20	.25	.50	-.02	.33	.09	.17
6. Plan Part.						—	.05	.12	.12	-.06	.20	.12	-.04	.25	.25	.05
7. Salary							—	-.01	.11	.07	.17	-.15	.25	-.04	-.09	.16
8. Hours								—	-.09	.20	.20	.32	.34	.23	.04	.07
9. Vesting									—	.02	.07	-.09	.11	-.15	.02	-.05
10. Vote										—	-.05	.09	.49	-.02	.10	.11
11. Emp. Board											—	.18	.19	.19	.22	.21
12. Emp. Design												—	.30	.33	.25	.26
13. Emp. Select													—	.17	.16	.28
14. Strategic														—	.34	.60
15. Performance															—	.45
16. Employment																—

TABLE 4
Regression Results[a]

Dependent Variables	Sign of Union Coefficient[b]	Improvement Chi-square[c]	R^2 Change	N
Orig. Stock	+	5.14*		62
Plan Part.	-	.438		62
Salary	+	2.98		64
Hours	+	5.94*		64
Vesting	+	.59		62
Vote	+	.04		62
Emp. Board	+	17.76**		59
Emp. Design	+	5.26*		64
Emp. Select	+	2.76		62
Strategic	+		.02	59
Performance	+		.01	58
Employment	+		.07*	59

[a] The union variable is added to a hierarchical model that controls for manufac, size, and private.

[b] For the logistic regression, (+) indicates a higher probability of the dependent variable taking on a value of 1 if union employees participate in the ESOP. For the multiple regression equations, (+) indicates that in those firms where union employees participate in the ESOP the dependent variable takes on a higher value.

[c] The "improvement chi-square" test is comparable to the F-change test in multiple regression (Norusis 1990).

* Statistically significant at the .05 level; ** at the .01 level.

Together, these results should ease union fears that ESOPs are part of a successful employer strategy to offer a comparable alternative to independent representation.

There are several limitations in this study. First, it is unclear to what extent the results suffer from common method variance. Second, the extent to which the sample is representative is uncertain. However, given the relatively higher unionization rate in Michigan, it is not surprising that the percentage of unionized firms contained in the extant sample is comparable but higher than the percentage of unionized firms found in other samples focusing on employee ownership. Also, we assume that if union members participate in an ESOP, then the union has taken a role in crafting the ESOP. This may not be the case if the union equivocates its role. Subsequent research could address these shortcomings. Given these limitations, several implications are worth noting.

For unions the implications are clear. Unions help to shape a more participatory type of ESOP. Unions will debate this participatory and economic

form against alternatives. However, the debate will begin from a baseline ESOP that is more democratic and egalitarian.

For employers the situation is more complex. If an employer values employee participation highly, then the presence of a union and the establishment of a more democratic ESOP structure may outweigh the alternative—greater employer control and a structure oriented toward the more mobile workers at the margin. It is also possible that an employer's preference for control and for addressing the interests of these workers at the margin may outweigh the value it places on participation.

For policy makers the situation is most complex. Is it in the public interest to have employer-controlled or democratic ESOPs? Is it more in the public interest to have ESOPs oriented toward the median workers or workers at the margin? One model promises greater social stability, the other promises closer alignment with business growth. To the degree that policy around ESOPs favors some structural features over others, the government must ask whose interests it wants to serve.

An ESOP is not a monolithic institution. It serves multiple interests, and the degree to which it does so is subject to negotiation. In the end, whose interests are served by an ESOP? Where there is no union, we find that it tends to serve the employer's interest in control and the employer's concern over the mobile workers at the margin. Where there is a union, we find that the ESOP tends to be more democratic in structure and oriented toward the interests of the median worker.

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DISCUSSION

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The three papers presented in this session each address topics on which there has been little prior empirical research. All three of the papers rely on original data which enable them to contribute interesting evidence on these topics. In the interest of brevity, my comments will focus on suggestions for modifications or extensions of each paper and upon some alternative interpretations of some of the results.

Although the long-term decline in union density since the mid-1950s is attributable at least in part to the disappearance of existing bargaining units, there has been almost no empirical analysis of the latter phenomenon. Bodah and Cutcher-Gershenfeld provide an exploratory study of the sources of bargaining unit disappearances using an industry-level database. I have three recommendations for their ongoing research on this topic. First, their definitional equation identifying the events that produce bargaining unit disappearances omits one relatively common event that sometimes leads to the disappearance of an existing bargaining unit: the failure to negotiate a new collective bargaining agreement. Second, they use the firm failure rate in the industry as a proxy for depressed industry conditions. However, a high failure rate may reflect a thriving and highly competitive industry with many start-ups as well as failures. Thus an alternative measure, such as the industry unemployment rate, would be a more appropriate indicator of demand conditions in the industry. Finally, the industry-level data are aggregated from a unique micro-level database collected by the authors. Extending their analysis to the bargaining unit level has the potential to make an important empirical contribution to our understanding of a topic on which there is virtually no empirical research.

Although many observers of the industrial relations scene firmly believe that the incidence of employers using permanent striker replacements has increased over time, particularly in the wake of the 1981 PATCO strike, there is no good empirical evidence to support or refute this belief. LeRoy's paper makes a creative attempt to address this debate empirically by constructing a measure of the annual number of litigations involving permanent

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replacements per 1000 stoppages for the period 1930-1981. If anything, LeRoy's measure *understates* the true incidence of using permanent replacements for two reasons: his counts exclude strikes in which permanent replacements were hired but there was no litigation as well as strikes in which employers hire permanent replacements gradually over the course of the stoppage.

Interestingly, these data clearly suggest that employers have used permanent replacements throughout the period. Moreover, there is no peak in the measure in 1981. LeRoy interprets the lack of a dramatic upswing in his measure in 1981 as evidence that President Reagan's hiring of permanent replacements for the PATCO strikers did not lead to a general increase in the incidence of hiring permanent replacements. However, his time series, which ends in the same year that the PATCO strike occurred, is simply not long enough to draw any conclusions about the effects of President Reagan's action on employers' use of replacements in subsequent strikes.

I encourage LeRoy to develop and test a multivariate model of the determinants of the number of litigations involving permanent replacements per 1000 stoppages. A longer time series will be necessary to investigate the effects of the PATCO strike. In addition, including controls for the propensity to litigate will facilitate interpreting the effects of major changes in labor law on this measure.

McHugh, Cutcher-Gershenfeld, and Polzin's use of survey data to investigate the effects of union representation on the characteristics of employee stock ownership plans (ESOPs) provides some interesting information about what features of ESOPs unions appear to influence. The 40% response rate to their survey, while relatively high for mail surveys sent to firms, still raises the possibility that respondents may differ systematically for nonrespondents. If the source of the population from which they selected their sample contains any information on firm-level characteristics (e.g., number of employees, industry), using such information to compare respondents with nonrespondents on those characteristics would provide some evidence on the extent to which their sample is representative of the population.

My interpretation of their results is that union effects on ESOP features appear to be fairly modest. The union variable significantly adds to the explanatory power of the model in only 5 of 12 regressions, and in only one of those is it significant at the 5% level. Thus unions do not seem to have an effect on most of the ESOP traits examined in this paper. However, the small size together with the diversity of their sample may make it difficult to obtain unbiased and precise estimates of union effects. This suggests using some caution in interpreting the results.

DISCUSSION

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This session presents three informative papers on contemporary union-management relations. Taken alphabetically, the Bodah and Cutcher-Gershenfeld paper examines the issue of "escape" as an employer strategy to avoid unions, extending the work by Walton, Cutcher-Gershenfeld, and McKersie in *Strategic Negotiations*. LeRoy focuses on the incidence of replacement strikes in the pre- and post-PATCO era. McHugh, Cutcher-Gershenfeld, and Polzin study the impact of unions on the attributes of employee stock ownership plans (ESOPs) and the scope of employee participation in decision making under such plans. I shall discuss the common themes of these papers in the context of the decline of unions and collective bargaining in the U.S. Further, I address extensions of this body of research and issues that warrant further attention.

While covering different topics within the nominal arena of labor-management relations, the three papers embody common themes. First, each points to the potency of certain current economic factors as contributors to the decline of unions and collective bargaining. Second, they emphasize how public policies can accentuate the negative impacts of these factors on unionism. Finally, the papers underscore how the convergence of policy and economic factors facilitate union avoidance strategies.

Bodah and Cutcher-Gershenfeld's analysis indicates that "escape" is a strategy that is favored by firms in labor-intensive industries, presumably as a reaction to the relatively noncompetitive aspects of maintaining a unionized operation. By logical extension, firms that cannot pare their labor costs in unionized sites to compete with lower-wage producers find the option of escape relatively more attractive or economically rational. LeRoy's data demonstrate the apparent cyclicality of the frequency of replacement strikes. As he notes, "It [such frequency] appeared to bottom when unemployment was low during World War II and the early to mid-1950s." Finally, to the extent that ESOPs are used as financing mechanisms to rescue companies from economic collapse, they may be used to weaken a union's bargaining position, especially if accompanied by wage and benefit

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concessions. More broadly, as McHugh et al. suggest, ESOPs may be structured to exploit performance-based incentives (and risks) in response to intensified industry competitiveness. Various structural attributes may be antithetical to the democratizing influences of unions.

At the same time, public policy evidently conditions the potential for union-avoidance-type behaviors. Employer escape strategies, as Bodah and Cutcher-Gershenfeld demonstrate, became more economically feasible as a consequence of changes in federal bankruptcy laws that permitted debtors to retain assets held in closed unionized operations. These changes may have encouraged employer actions that were not otherwise indicated by the economic failure rates within industries.

While LeRoy finds that replacement strikes are not an employer strategy that emerged from the prominent PATCO incident in the early 1980s, he uncovers spurts in this practice corresponding to salient public policy events: *Mackay Radio* (1938), Taft-Hartley (1948), and Landrum-Griffin (1959). Further, LeRoy suggests that the deregulation of certain industries (air transport and trucking) may have unleashed economic forces that motivated replacement strategies which are mechanisms for undercutting and hence avoiding a union presence.

Last, as tax policies advantage ESOPs, they may commensurately facilitate union avoidance. Sophisticated employers may use ESOPs to provide an "alternative" (to unions and collective bargaining) form of employee representation and eviscerate a distinct worker *esprit* by blurring the lines between employee, manager, and owner.

As I indicated, theses papers reveal a confluence of policies and economic realities that encourage employers to avert unions. Employers may use bankruptcy and other federal code provisions to redeploy assets to nonunion operations, thereby promoting their competitiveness (at least in the short run). The essential point is that competitive economic forces which promote low-wage production combine with public policies that lower the capital costs of closing union facilities: an entreaty to union avoidance. Similarly, laws which permit the replacement of strikers create a legal situation that can be used for competitive advantage as economic realities may require. PATCO occurred when global competitive forces, deregulation, and political conservatism were on the rise. President Reagan used the law to squash a clearly illegal strike. Private employers similarly used the law, as they had in the past, to replace strikers. In so doing, both have allegedly acted in a way consonant with the need to remain competitive. Remember that candidate Reagan won in large measure because the economic "misery" index was so high. He could politically ill-afford a prolonged strike that would have severely debilitated the U.S. economy.

In conclusion, I wish the authors continued success in extending their interesting research. It would be particularly interesting to examine the extent to which foreign-based companies have located in the U.S. with a union-avoidance mindset and thus encouraged U.S. firms to behave accordingly. On the normative side, the field of industrial relations needs to explore the public policy implications of these studies from the standpoint of the plausibly deleterious impact on policy on unions and collective bargaining.

III. POSTAL SERVICE COMPARABILITY: ISSUES OF DEFINITION AND MEASUREMENT

Postal Service Comparability: Issues of Definition and Measurement

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The Postal Reorganization Act of 1970 established collective bargaining rights for postal employees and a comparability standard of payment. Although comparability has long been used for determining public sector wages, it has proven contentious in the postal negotiations. Disagreements over the meaning of comparability have been one cause of the impasses which led to interest arbitration in three of the last five negotiations.

At the heart of the controversy has been a difference in the parties' approaches to measuring comparability. The postal unions have favored the use of occupational wage surveys and direct comparisons of postal wages to wages in similar occupations in firms which compete with the Postal Service in delivery services. In contrast, the Postal Service has adopted a regression methodology which takes the national labor force as the base of comparison and emphasizes individual characteristics but does not account for many firm or industry factors. The two methodologies produce different results. Occupational wage surveys indicate that postal employees are paid similarly to their private sector counterparts. The Postal Service argues based on regression that postal employees earn more than similar employees elsewhere.

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The dispute over methodology in the postal negotiations parallels long-standing disagreements in the study of public sector compensation. For more than twenty years, some economists have argued that the occupational wage surveys traditionally used to determine comparability should be replaced with human-capital-based regression analysis. They argue that it is better to use large samples of representative data and control for individual characteristics. They contend this eliminates decisions as to which industries, occupations, and firms provide the proper private sector comparison (see Smith 1976, 1977; and Venti 1987).

This paper demonstrates that the regression approach does *not* allow researchers to avoid judging the appropriate industries, occupations, and firms for comparison. Indeed, such judgments determine the specification and sample for the regressions and largely determine the measured extent of comparability. This paper is not an exhaustive treatment of the issues involved, particularly those related to union membership itself. Here we demonstrate the problems of regression by examining the concrete issues of location, gender, industry, and occupation.

Data and Estimation

We estimate a standard log earnings equation with the April 1993 pension and benefit supplement of the CPS. The benchmark equation includes measures of age, age squared, educational attainment, race, gender, union status, city size, major occupation, part-time and overtime work, and tenure with the current employer. Our sample is limited to prime age employees—those ages 25 to 64—because this is the relevant pool for postal employees. To simplify the presentation, estimates of the postal differential are obtained by inclusion of a dummy variable designating employment in the Postal Service in a single equation.[1] With this specification we find a significant postal earnings differential of 9.9% and take this as a benchmark for the balance of our presentation.[2] However, this aggregate differential masks thorny issues related to the fair treatment of different groups of postal employees. Two examples follow.

Urban/Rural Differences

Wages are lower in rural areas. Jobs which are viewed as paying only moderately well in cities are sought after in the country. Firms such as the Postal Service, which elect to have national wage structures for a variety of management reasons, must set wages to attract/retain capable employees in urban areas and consequently pay above market in rural areas.

The relevance of this for the Postal Service is apparent from a simple split of the data by location (rural/urban) and estimation of separate regression

equations for the two groups of employees, using a specification similar to that of the base equation. We classify a person as residing in an urban area if they live in one of the 75 largest CMSAs, those with a population of 220,000 or more. This places 58% of the U.S. population in urban areas.[3] With this split, postal employees in urban areas are estimated to earn 3.5% more than comparable private employees, but the coefficient is not significant. In contrast, those living in rural areas earn a significant differential of 19.1%.

Clearly, the differential obtained from the combined equation is not a reliable guide for postal pay policy. Despite the implication from the combined equation, that all postal employees are overpaid by 9.9%, in fact earnings appear to be set appropriately for urban areas. Resetting the earnings according to the "average" could result in problems in urban areas in attracting and retaining capable employees and would lead to unfairly low compensation for long-service, urban employees who have made a career of postal work and hence have few mobility options.

Gender Differences

Regression-based research on public sector wages typically finds that women gain more from employment in the public sector than do men; this pattern also characterizes the Postal Service. When the observations are split by gender and separate male/female regressions are estimated, men employed by the Postal Service are estimated to be paid comparably to men in the private sector (the estimated differential is 4.0%, but it is not significant), while women in the Postal Service earn 28.6% more than comparable women in the private sector.

The following considerations are particularly important in setting postal pay in light of this aspect of the postal pay structure. First, it is illegal for the Postal Service (or any individual employer) to pay men and women differently for the same job even though men and women have marked differences in earnings in the labor market as a whole. Reducing pay for both men and women by the weighted average of the male and female differentials would not produce a desirable outcome either.[4] For men, the resulting wage would be below that available to similar individuals in the private sector. Hence it would be unfair to those long-service men who have chosen to make their careers as postal employees, and it would lead to problems in the recruitment/retention of capable male employees.

The appropriate policy implications of the observed male and female differentials are especially murky because it is not clear what the substantial differential for female postal employees represents. The larger differential for women may be due, at least in part, to lesser gender discrimination in the public sector than the private. It seems particularly unfair to

push the wages of public sector men below that of the private sector to "adjust" for discrimination against women in the private sector!

Even if the "private sector discrimination" interpretation is incorrect or overstated, there are other reasons to question the implications of the estimated differential for women. Its large size may simply reflect the fact that the Postal Service is a single, non-gender-discriminating employer in an industry in which men are the dominant employees and market wages primarily reflect supply and demand for adult men. Consider the United Parcel Service (UPS), the largest private sector employer in the same industry as the Postal Service. Since UPS does not discriminate in payment by gender, the women who work at UPS would, in all likelihood, receive compensation that is "high" relative to other women in the labor market according to a similar regression analysis—certainly their wage differential would be greater than that for the men who work at UPS. In sum, since the women in the Postal Service are in atypical jobs for women, the large estimated differential in the female sample may be an artifact of inadequate controls for firm characteristics, occupation, and industry—invalidating estimates and making them largely moot as a guide to compensation policy.

Disaggregation of the data by rural/urban location and male/female status illustrates one set of issues related to regression analysis: the appropriate treatment of different groups of employees doing the same job within a single firm when those employees fare differently in the labor market as a whole. Next we consider the treatment of industry and occupation in regression analysis. We find that once one controls appropriately for these important attributes of jobs, the supposed "overpayment" of postal employees largely disappears.

Industry

Wages vary systematically by industry; current research suggests that the industry-specific component of wages is an outcome of industry-specific human capital, compensating differentials, efficiency wage policies, and monopoly rents (Kreuger and Summers 1988). While occupational wage surveys allowed for industry effects by limiting the surveys to industries with similar products and labor forces, regression studies of the public sector have largely ignored the industry of employees. This difference in part reflects the different orientations of the research: occupational wage surveys have been used to set wages for specific groups of employees with well-defined private sector counterparts; regression research has typically considered the public sector as a whole and hence lacked well-defined comparison industries.

Research utilized by the Postal Service in recent arbitrations has essentially compared postal workers to similar employees in an "average" industry, rather than to employees in the same industry. The easiest way to do this would be to leave industry intercepts out of the regression equation altogether as we do in our benchmark (an implicit average); some postal research has used an explicit average of private sector industry effects as the base of comparison (Perloff and Wachter 1984). We calculate an explicit average by replacing the intercept in our benchmark with indicator variables for each major private sector industry and forming several averages. The estimates indicate considerable variation in earnings by industry: agriculture and retail trade are at the bottom of the range with industry components of $2.26 and $2.72, respectively; mining and utilities are at the top with $4.19 and $4.12, respectively. The earnings industry differential for the Postal Service is $3.77. When the industry effects are averaged using employment weights, the postal differential is 13.2%, whereas using industry weights, it is 8.5%. These bracket the implicitly weighted benchmark of 9.9%.

However, unless the characteristics of postal employment are, in some sense, average with respect to their industry characteristics, an average of private sector industry differentials tells us little about comparability. Comparability more reasonably includes all aspects of the job, including the industry in which the employee works. This perspective suggests that the wages of Postal Service employees should be compared to wages in "similar" industries. Unlike the public sector as a whole, the Postal Service has a clear industrial location.

The standard industrial classification system places the Postal Service in the transportation industry. In this comparison, postal employees are estimated to earn a nonsignificant 2.6% more than employees in private transportation. Another possible comparison is with the transportation, communications, and utility industries (TUC); this wider industry group still has similar functions as the Postal Service and is similarly subject to regulation. Again, the difference in earnings between postal employees and those in TUC is small and not statistically significant.

Regression studies of public sector wages have largely ignored the role of industry in establishing comparability. Although this might be justified in studies in which there was no obvious counterpart, such is not the case for the Postal Service. With appropriate controls for industry, there is little evidence of a postal wage differential.

Occupation

One of the argued advantages of regression research has been that it resolved the persistent problems with matching public and private sector

occupations and the treatment of occupations which were unique to the public sector. The approach adopted by regression studies—use of highly aggregate (one digit) occupational controls—has been even less satisfactory, however. The use of such aggregate occupational categories treats unlike positions as if they had similar skill requirements and working conditions.[5]

An alternative which better addresses unique occupations and how postal workers earnings fit into the earnings structure of related occupations is a regression model which estimates occupational earnings at a more detailed level. The intercept and major occupation variables in the benchmark are replaced with indicator variables for three-digit occupations. The coefficients on the occupation variables measure the 'residual' earnings variance—variance which remains after controlling for factors such as education, age, and gender. This occupational residual incorporates all occupation-related factors such as occupation-specific skills, working conditions and, for postal employees, an earnings effect related to employment with the Postal Service itself. We compare the occupational wage residual of the two largest postal occupations—letter carrier and postal clerk—with the wage residuals for the private sector employees in the 52 administrative support occupations. To ensure an adequately sized sample, the estimates are derived from the 1994 Outgoing Rotation file of the CPS.

There is considerable variance of residual wages within major occupations (see Table 1) demonstrating the problem of controlling only for one-digit occupation. The highest-paid occupation, computer supervisors, earns an occupational premium of $4.97, more than twice that of the lowest-paid clerical occupation ($2.33). The occupational effect for letter carriers and postal clerks are $3.82 and $3.80 per hour, respectively. These occupations fall in the upper third of the clerical earnings distribution. However, their wages are not statistically different from half of the clerical occupations—occupations such as personnel clerks, classified ad clerks, material recording clerks, and meter readers. Even where there are statistically significant differences, the differences in annual earnings are not large. Controlling for human capital characteristics, letter carriers earn $660.00 more per year than secretaries, an amount which does not seem at variance with differences in the conditions of employment in these two occupations. After all, letter carriers must work outdoors in all kinds of weather, must work for a large bureaucratic employer, must represent the Postal Service (and in some sense the government) to the public, and bear certain legal responsibilities.

TABLE 1
Occupation Specific Earnings: Clericals

Code	Census Three Digit Title	Dollar Amount
346	Mail preparing and paper handling operators	2.33
317	Hotel clerks	2.57
387	Teachers aides	2.64
329	Library clerks	2.82
384	Proofreaders	2.94
335	File clerks	3.00
319	Receptionists	3.04
357	Messengers	3.06
383	Bank tellers	3.08
356	Mail clerks, except postal service	3.15
364	Traffic, shipping & receiving clerks	3.17
323	Information clerks	3.23
379	General office clerks	3.26
316	Interviewers	3.28
348	Telephone operators	3.29
365	Stock and inventory clerks	3.32
385	Data entry keyers	3.33
359	Dispatchers	3.37
315	Typists	3.40
318	Transportation ticket & res agents	3.45
337	Bookkeepers	3.46
339	Billing clerks	3.48
313	Secretaries	3.49
	1% Confidence Interval	
309	Peripheral equipment operators	2.95
353	Communications equipment operators, nec	3.07
347	Office machine operators nec	3.13
368	Weighers, checkers, and samplers	3.37
366	Meter readers	3.39
343	Cost clerks	3.43
344	Billing machine operators	3.45
345	Duplicating machine operators	3.47
378	Bill and account collectors	3.50
336	Records clerks	3.51
308	Computer operators	3.54
374	Material recording clerks	3.56
338	Payroll clerks	3.64
377	Eligibility clerks, social welfare	3.66
376	Investigators	3.68
389	Administrative support occ., nec	3.68
326	Correspondence clerks	3.69
386	Statistical clerks	3.72
314	Stenographers	3.80
327	Order clerks	3.82

TABLE 1, *Continued*
Occupation Specific Earnings: Clericals

Code	Census Three Digit Title	Dollar Amount
354	Postal clerks, except letter carriers	3.80
355	Letter carriers	3.82
373	Expediters	3.95
363	Production coordinators	3.95
307	Chief communications operators	4.06
328	Personnel clerks	4.14
325	Classified ad clerks	4.89
305	Supervisors, financial records	4.77
	1% Confidence Interval	
375	Insurance adjusters	4.14
303	Supervisors, general office	4.19
306	Supervisors, distribution clerks	4.45
304	Supervisors, computer equipment	4.97

Conclusion

This paper has taken issue with the contention that regression analysis of large representative samples of workers allows researchers to avoid many of the controversial judgments required of those conducting wage surveys. We have demonstrated that such estimates are critically affected by judgments about the industries which provide a similar working environment to that of the Postal Service. Moreover, attention to detailed (rather than aggregate) occupation leads to a markedly different evaluation of supposed "overpayment." We have also demonstrated that in averaging across central determinants of private sector wages such as location and gender, regression analysis tends to mask underlying causes of noncomparability, including the central fact that all wage differentials observed in a market may not be appropriate for setting compensation in a single organization.

This raises the issue of whether or not the comparison between a single firm, the Postal Service, and the labor market as a whole is even sensible. Just as there is wage variance by occupation and by industry, there is considerable firm-specific variance in earnings in the private sector. If employees of large private sector firms—like UPS or Federal Express—could be isolated in government data sets and subject to a parallel regression analysis, we would likely find a similarly large, "unexplained" positive differential.[6] This would likely occur simply because direct comparisons of Postal Service, UPS, and Federal Express pay scales show great similarity and there is no reason to believe that postal employees have worse human capital characteristics than employees of UPS or Federal Express.

This paper has addressed only some of the issues which complicate the application of regression analysis to measurement of wage comparability.[7] We do not argue that regression-based research should not be pursued but rather that it be used carefully in conjunction with direct evidence about similar jobs in similar private sector employers—occupational wage comparisons. Moreover, the criteria underlying both types of research need to be made explicit, openly debated, and made more appropriate to the questions of interest.

Endnotes

[1] There are a total of 21,858 observations in the data set with 215 postal employees. Following Perloff and Wachter (1984), the model includes 0-1 dummy variables for postal, other federal, state government and local government employment, with employment in the private sector serving as the base for these variables.

[2] Full regression results are available upon request.

[3] To check on the sensitivity of this estimate, we also performed auxiliary analysis with urban location being that of living in one of the 200 largest CMSAs—which includes all cities of 100,000 or more. Under the second definition, the urban differential is 5.9% but remains nonsignificant; the differential for rural areas declines slightly to 18.2%. In 1992 the 75th largest urban area was Stockton, California, and the 200th largest urban area was Chandler, Arizona.

[4] A variant of this would be to use some average of the male and female differentials as a measure of the wage differential which would exist in the absence of discrimination. Such a theoretic standard has several problems, not the least of which is that there are distinct theories of discrimination each associated with a different average (Neumark 1988). The range of estimates produced by the various averages, 9.9% to 18.2%, are too wide to be useful in setting wages.

[5] Also, it masks large systematic variation in occupational earnings and how public employees' wages fit into this occupational earnings structure.

[6] We would also probably find similar wage gains upon employment, as individuals move from jobs with smaller employers in other industries.

[7] Walsh and Mangum (1992) suggest that micro-data regressions may be inappropriate to wage-setting procedures because they consider earnings and individual characteristics rather than the wage rates and job skills, which are of critical interest to employers.

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Comparability after Twenty-five Years of Postal Bargaining: A Union Assessment

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In March 1970 a wildcat strike by hundreds of thousands of letter carriers and other postal workers called the nation's attention to the fact that postal employees were grievously underpaid, with more than a few eligible for welfare benefits.[1] While the U.S. Army was called in to keep the mail flowing (unsuccessfully), negotiations to end the strike laid the groundwork for landmark postal legislation six months later. That legislation, the Postal Reorganization Act of 1970 (PRA), replaced the patronage-ridden, cabinet-level Post Office Department with the United States Postal Service (USPS), an independent, government-owned enterprise. The PRA had two chief aims: to improve the quality and efficiency of the nation's mail delivery system and to improve the wages, working conditions, and career prospects of postal employees. The latter is the focus of this paper.

The PRA raised the level of postal wages by restructuring the postal pay system and implementing wage increases (above and beyond those granted all federal employees) prior to the official creation of the U.S. Postal Service in July 1971. Since then, wage levels have been set through collective bargaining conducted under the principles of the National Labor Relations Act (NLRA). The parties are free to negotiate labor contracts without political interference. Within this framework, the PRA instructs the Postal Service to "maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy" [39 U.S.C. 1003(a)]. The chief exception to NLRA coverage is that postal employees do not have the right to strike. Mediation, fact finding and/or binding interest arbitration are used to resolve bargaining impasses.[2]

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Over the past twenty-five years, the National Association of Letter Carriers, AFL-CIO (NALC) has been party to nine collective bargaining agreements with the USPS, each covering a national bargaining unit of city letter carriers (which now numbers 240,000 workers).[3] The first five of these contracts were negotiated by the parties, though two issues in the 1978 contract had to be resolved through mediation-arbitration. Of the four contracts established since 1984, however, three (1984, 1990, and 1994) have been set through interest arbitration after the parties failed to reach agreements.

One of the factors that explains this shift away from negotiated settlements and toward arbitrated ones has been a fundamental disagreement between the parties over the meaning of wage comparability. Privately, during the 1981 round of bargaining and then publicly in the 1984 round, the Postal Service adopted a definition of comparability that is based on the "human capital model" of worker compensation. Through the use of econometric regression techniques, USPS consultant Michael Wachter applied this definition to postal employees in general and concluded that such employees enjoy a significant wage premium relative to "comparable" workers in the private sector. As discussed below, NALC has rejected the Wachter definition of comparability; it believes that Wachter's conception of comparability is inconsistent with the original understanding of the standard and is, in any event, flawed and impractical.

The Original Understanding of Comparability

With respect to the original understanding of the comparability standard we offer three observations.

First, when it enacted the PRA, Congress understood that postal wages were substantially below comparability. Prior to 1970, postal wages were determined under the framework of the Federal Salary Reform Act of 1962, which called for federal pay to be "comparable with private enterprise salary rates for the same levels of work."[4] Comparability was then determined by an annual Bureau of Labor Statistics study, known as the National Survey of Professional, Administrative, Technical, and Clerical Pay (the "PAT" survey).[5] By 1970, the PAT survey indicated that a 6% across-the-board increase was necessary to achieve comparability for the entire federal workforce, which Congress enacted through the Federal Employees Salary Act of 1970.[6] Moreover, an additional 8% increase for postal workers and a reduction in the time it took them to reach top pay from 21 to 8 years was incorporated into the PRA. President Nixon, in his message to Congress in support of the proposal, explained this additional increase as follows:

> In many parts of the country—particularly in our great urban areas—the pay of postal employees has lagged seriously behind

> the pay received for comparable work by employees in private industry. The general 6% increase has alleviated that problem for most employees of the federal government, but it fails to take into account two important considerations that are unique to the Postal Service:
>
> The need to offset the limited opportunities for job advancement that most postal workers have traditionally faced.
>
> The need to allow postal workers to share the benefits of the increases in efficiency and productivity that should be attainable under a properly reorganized postal system.[7]

In sum, Congress believed in 1970 that the comparability standard, however defined, warranted a 14% increase in postal pay as well as a major improvement in the postal pay schedule. It is inconceivable that a Wachter-style econometric approach would have indicated such a result. Indeed, the USPS has asserted at times that Congress, through the PRA, created at least part of the alleged wage premium that it now seeks to eliminate. In any event, after twenty-five years of collective bargaining, the average bargaining unit wages of city carriers has changed very little in real terms from the level established by Congress in November 18, 1970, the effective date of the last postal pay legislation enacted by Congress. At that time the average wage of city carriers stood at $4.31 per hour; today's average wage of $16.69 per hour, adjusted for inflation, is worth $4.26 per hour in November 1970 dollars.[8]

Second, in enacting the PRA, Congress specifically intended that postal wages would be determined through collective bargaining, modeled after the private sector, not through a mechanistic process of applying a fixed comparability standard. As then Postmaster General Winton Blount, one of the architects of postal reform put it: "There is a wide variety of differences as to what comparability might be. That has to be bargained by the parties."[9] Binding interest arbitration was provided for the specific purpose of assuring "parity of bargaining power between labor and management" insofar as "it will continue to be unlawful for postal employees to strike."[10]

Third, during the 1970s, both the Postal Service and the unions, in applying the comparability standard, adopted a fairly similar definition of comparability. In testimony before Congress and in submissions to the Cost of Living Council, a body which had to approve wage increases under the Nixon wage and price controls, both the USPS and the unions focused on the pay of large, national employers, with special emphasis given to unionized companies and industries. Both sides saw the special relevance of delivery personnel employed by United Parcel Service.[11]

Beginning with its first annual report to Congress, for the 1975-1976 fiscal year, the Postal Service took the view that comparability could be achieved if the hourly earnings of bargaining unit postal employees fell within the range of hourly pay earned by production and nonsupervisory workers employed by a selected group of private sector industries. The report specifically noted that there is no reason to select the average private sector job as the appropriate comparability reference:

> A comparison of average gross earnings with those of all production or nonsupervisory employees in the private sector shows that Postal Service hourly gross earnings are higher. *However, there is no reason to select the average private sector job as the appropriate comparability reference for the average postal job* [emphasis added].
>
> When gross earnings are compared with those in selected major private industries, the Postal Service falls in the middle range of the comparison.[12]

This text from the fiscal 1976 report to Congress reflects the rough consensus about the meaning of comparability that existed between the parties throughout the 1970s and into the early 1980s. The text was accompanied by a table outlining earnings in various industries similar to the one below:

TABLE 1

Comparison of Gross Earnings Per Paid Hour for Postal Service Bargaining Unit Employees with those of Selected Private Industries

Industry	October 1976	April 1995
Banking	$3.72	$9.63
Insurance	4.58	14.78
Paper & Allied Products	5.52	14.27
Telephone Communications	6.56	16.04
Electric Utilities	6.69	18.62
Metal Cans	7.18	16.86
Postal Service	7.20	16.87
Autos	7.33	17.03
Breweries	8.01	21.73
Basic Steel	8.04	18.86

Source: Bureau of Labor Statistics.

Such a table was included in every annual report to Congress between fiscal years 1976 and 1984. The table for fiscal year 1976 is reproduced above and amended to include the same data for 1995, as presented to the Stark

interest arbitration panel. It shows that in 1995, postal wages satisfied the original understanding of the comparability standard.

The general consensus began to break down in 1981 when Dr. Wachter first presented his econometric model of private and postal wages during that year's round of collective bargaining talks. Nevertheless, labor contracts were reached voluntarily in 1981 and the Postal Service's annual report to Congress for fiscal 1982 reported: "The collective bargaining agreements reached in 1981 will, over the course of the three-year contracts, enable the Postal Service to meet its statutory obligation to maintain the comparability of wages and benefits with private industry."[13] In 1984, with the public adoption by the USPS of the Wachter definition of comparability, the parties deadlocked over pay at the bargaining table, and the terms of the 1984-1997 contract had to be set by an interest arbitration panel chaired by Clark Kerr.

Impracticality of Wachter Model

As noted above, the comparability standard in the PRA refers specifically to the compensation paid for "comparable levels of work in the private sector of the economy." The Wachter model effectively rewrites the PRA, replacing "compensation paid for comparable levels of work" with compensation received by "workers with comparable human capital characteristics." This is hardly an acceptable definition, for it ignores what experience tells us is relevant in setting wages in the real world. The nature of specific jobs (in this case, that of city carriers), working conditions, and industry and firm characteristics matter.

For example, in the latest interest arbitration proceedings (chaired by Arthur Stark) in 1995, NALC presented evidence of the extremely high injury rates of city letter carriers. No other occupation in the federal government has more work-related injuries each year: 39,035 city carriers suffered injuries in 1995. This translated into an injury rate of 16.9 per 100 full-time employees, over twice the rate of private sector workers in general.[14] Extreme weather conditions, the heavy use of motor vehicles by carriers, and exposure to everything from dog bites to street crime contribute to this reality. Such factors are either ignored or inadequately addressed in the Wachter model.

Moreover, for all its reputed sophistication, the Wachter model offers but a crude instrument for assessing pay comparability. A model that explains only 50% to 60% of the variation in wages in the private sector may be excellent by the standards of academic economics, but in the real world such an imprecise model can hardly be used to set the wages of a specific firm, let alone a specific occupation within that firm. The notion that a

union leader or any other practitioner would use an abstract computer model, whose results vary wildly based on small changes in assumptions and specifications, is highly dubious. This is especially true if that model suggests that the pay of all employees in the private sector—whether they work in a big multinational or a mom-and-pop store, whether they work in a low-wage or a high-wage industry, or whether they are unionized or not—are equally relevant to setting the pay of a specific group of full-time, unionized workers performing a specific type of work for the nation's largest employer.

An Alternative Approach

NALC argued before the Stark interest arbitration panel that for city letter carriers the most relevant or comparable employees in the private sector are full-time delivery workers employed by large, national delivery firms such as United Parcel Service and Federal Express. Like city letter carriers, such workers are uniformed personnel employed by multibillion dollar enterprises with national delivery networks who are assigned regular delivery routes in predominantly urban areas.

NALC presented evidence to the Stark panel on the pay of UPS drivers and FedEx couriers that directly contradicts the suggestion that city letter carriers enjoy a "wage premium" with comparable private sector workers. In August 1995, UPS drivers earned an average of $11.33 per hour as new hires and a maximum of $19.55 per hour after 48 months. At about the same time, in the 25 major metropolitan areas where a majority of city carriers work, NALC estimated that FedEx couriers earned an average of $12.12 per hour as new hires and a maximum of $16.42 after 2-3 years. The comparable figures for city carriers stood at $12.15 per hour for new hires and $17.12 per hour after 12.4 years.

Little has changed since then to disturb this basic pattern.[15] Thus city carrier wages significantly lag behind those of UPS drivers and are roughly comparable to those of FedEx couriers, although the private sector workers attain top pay much faster than city carriers do. Data on benefits for FedEx and UPS delivery personnel, showing a similar result, were also presented to the Stark panel. In short, the conclusion that city carriers enjoy a compensation premium with comparable workers is not supported by the facts.

Interest Arbitration Results

The Postal Service tends to lump the results of the Kerr (1984), Mittenthal (1990), and Stark (1995) interest arbitrations together. But the Stark award marks a clear departure from its two predecessors and should be viewed separately. As the USPS argues, Kerr and Mittenthal did find "discrepancies in comparability" and offered settlements designed to achieve

"moderate restraint" (although neither of their awards accepted or endorsed the Wachter model, its estimate of a wage premium, or the Postal Service's draconian demands for wage concessions). However, neither Kerr nor Mittenthal addressed the comparability of city carrier pay specifically—those proceedings involved the Joint Bargaining Committee, a coalition between NALC and the American Postal Workers Union.

The Stark award, on the other hand, involved city carriers alone and did not rule on comparability even in general terms. Indeed, it made no mention of the prior awards or of "moderate restraint." Stark rejected the Postal Service's main economic demand: the elimination of the CPI-based COLA clause in favor of a formula partially indexing carrier wages to the Employment Cost Index. And while the award also rejected the NALC demand that all carriers be upgraded from Level 5 to Level 6 in the NALC pay scale, it did suggest that such an upgrade might be appropriate in the future as a result of the impact of ongoing automation.[16] In the end, the contract awarded by the Stark panel included elements from past negotiated settlements: COLAs, general wage increases, and one-time cash payments.

In contrast to the view expressed by the Postal Service, NALC interprets the Stark award as a break with the past. By consciously rejecting the framework of the two prior awards and by conspicuously ignoring the presentation of Dr. Wachter, Stark in effect urged the parties to start anew and to find a way to reach a voluntary agreement. The 1998 round of collective bargaining offers an opportunity to do so.

Endnotes

[1] In a report issued after the strike, the House Post Office and Civil Service Committee observed, "Inadequate pay is admittedly one of the root causes of unrest and poor morale in the postal service." H. Rep. No. 91-1104 (May 19, 1970) at 9. See also "Welfare Aid Sought by Letter Carriers," *New York Times*, November 7, 1969, p. 52.

[2] The PRA mandates a tripartite form of interest arbitration. The union and management sides each appoint an arbitrator. A neutral arbitrator, who serves as chairman, is appointed by the parties themselves or, absent agreement, by the director of the Federal Mediation and Conciliation Service. See 39 U.S.C. 1207.

[3] The first eight contracts covering the NALC bargaining unit also covered other bargaining units represented by one or more other postal unions. The other major postal unions are the American Postal Workers Union, the Mail Handlers Union, and the National Rural Letter Carriers Association.

[4] Public Law 87-793, 76 Stat. 832, Sec. 502(b).

[5] See J. Earl Lewis, "Federal Pay Comparability Procedures," *Monthly Labor Review* (February 1969).

[6] Public Law 91-231, 84 Stat. 195. See accompanying Senate Report No. 91-763 (April 7, 1970).

[7] Message from the President of the United States relative to Postal Reform (April 16, 1970), reprinted House of Representatives Document No. 91-313, p. 54.

[8] The compression of the pay scale from 21 to 8 years, as called for by the PRA, took effect in November 1970. The 1996 average wage of $16.69 per hour is expressed in November 1970 dollars through deflation by the Consumer Price Index (CPI-W).

[9] Post Office Reorganization: Hearings on Various Proposals to Reform the Postal Establishment before the House Committee of Post Office and Civil Service, 91st Cong. 1st Sess. (1969) at 221.

[10] H. Rep. Document No. 91-1104 (May 19, 1970) at 14.

[11] See letters from the USPS and the postal unions to the Cost of Living Council: (1) from Senior Assistant Postmaster General Darrell F. Brown to Dr. John Stieber, dated July 27, 1973; and (2) from Bernard Cushman, Chief Union Spokesman, to John Dunlop, dated July 2, 1973. See also Statement by Benjamin F. Bailar, Postmaster General, before the Subcommittee on Treasury, Postal Service, and General Government of the House Committee on Appropriations, February 4, 1976.

[12] Comprehensive Statement on Postal Operations, PFY 1976, pp. 5-6.

[13] Comprehensive Statement on Postal Operations, 1982, January 1983, p. 6.

[14] The occupational injury and illness rate for all private sector workers in 1994 was 8.4 per 100 full-time equivalent employees. See Bureau of Labor Statistics news release USDL 95-508, Workplace Injuries and Illnesses in 1994, December 15, 1995, p. 2.

[15] The UPS contract with the International Brotherhood of Teamsters called for additional wage changes in 1996 and Federal Express recently announced a 3% across-the-board increase in the maximum base pay for all its couriers, effective January 1997. (The current wage range for most city carriers under the NALC contract is $12.53 to $17.57 per hour.)

[16] See Opinion of the Chairman, Stark Award, p. 35.

Postal Service Wage Comparability: What Is the Appropriate Comparison Group?

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Compensation for most U.S. Postal Service employees is determined through collective bargaining. Absent a negotiated settlement, compensation is dictated by mandatory interest arbitration. Since at least the 1984 hearings before neutral Arbitrator Clark Kerr, in what has been dubbed "the battle of the economists" (Walsh and Mangum 1992: 193), economic analysis has played a prominent role. Economists testifying on behalf of the Postal Service have since 1981 employed regression analysis using the Current Population Survey (CPS) to analyze the wage gap between postal and private sector workers (see Perloff and Wachter 1984; Linneman and Wachter 1990). This approach is based on the Postal Reorganization Act (PRA) of 1970, which requires that the Postal Service achieve comparability as follows:

> It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy. [39 U.S.C. 1003(a)]

Since the act asks for a comparison across the private sector, we calculate the postal wage premium relative to workers throughout the economy's entire private sector. As variables we have used traditional skill variables based on worker characteristics but have also introduced a set of control

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variables that measure job traits, such as length of job training, required verbal and numerical aptitudes, and working conditions. Economists testifying for the postal unions have introduced their own regression analysis, but only as a critique in response to the Postal Service's affirmative case. In so doing, they have argued, sometimes explicitly but usually implicitly, for a highly restrictive comparison, in some cases limited to workers who have the following traits: white, male, union member, and employed in a large firm. It is only when the comparison is so restricted that economists on behalf of the postal unions have been able to assert wage comparability.[1] Across a broad sample of workers with similar individual and job characteristics, a standard consistent with economic theory and the law, we find a substantial postal premium. This result is consistent with an array of other evidence that points to a sizable postal compensation advantage relative to the private sector.

In what follows, we first summarize our basic approach and the estimates of the postal wage premium that we presented during the 1995 arbitration hearings. We then focus on the issue of how workers' union status ought to be treated when measuring the premium.

The Postal Premium: Measurement and Estimates

Postal premium estimates we presented before the 1995 arbitration panels were based on micro log wage regressions using the 1994 CPS and longitudinal wage changes among postal *entrants* from the Postal Service New Hire Survey (NHS) for 1994, panels constructed from the CPS for 1983/84-1992/93 and the CPS Displaced Worker Surveys (DWS) for 1984-94 (see Table 1). Our base estimate, referred to as a CPS-only premium, includes standard individual and labor market characteristics. Specification and methodology is similar to that presented before previous postal panels (Perloff and Wachter 1984). A second wage-level estimate, referred to as the CPS-DOT premium, supplements the analysis with numerous measures of occupational skill requirements and working conditions constructed from the *Dictionary of Occupational Titles.* Our approach is to estimate log wage equations for each of four race/gender groups. All full-time wage and salary workers are included in the regression, allowing the wage structure (coefficients) to be determined on an economywide basis. Industry dummies are included separately and interacted with union status. Unionized postal workers, referred to as the bargaining unit, are the omitted (i.e., reference) industry group. The postal premium is first calculated within each race/gender group based on the weighted average of the postal-private log wage differential across nonagricultural private sector union and nonunion industry sectors, with the weights being employment

among all nonprofessional/managerial workers in each sector. The postal premium is calculated from the weighted average of the premium across the four race/gender groups, with postal employment as weights. Additional adjustments are made to account for postal/nonpostal differences in job tenure and night and evening work shifts.

TABLE 1
Postal Log Wage Premium Estimates

Wage Level Regression Estimates (1994):	
CPS-only	.247
CPS-DOT	.293
Longitudinal Log Wage Changes among Postal Entrants:	
New Hire Survey (1994)	.329
CPS Panel (1983/84-1992/93)	.281
CPS Displaced Worker Surveys (1984-94):	
Wage gain	.256
Relative gain	.360

Note: Figures are differentials between postal bargaining unit and private sector full-time employment.

Source: Estimation method, specification, and data are described in Hirsch, Wachter, and Gillula (1997).

As seen in Table 1, the 1994 CPS-only postal wage premium is .247 log points—a 28.0% differential when expressed as a percentage of the lower private sector wage and 21.9% when expressed as a percentage of the higher postal wage.[2] Note that this premium estimate includes adjustments for tenure and shift work, which reduced the differential from .292 to .247. Although the .247 wage premium was emphasized in presentations to the arbitration panels, other estimates were provided. In previous postal arbitrations, a criticism of the CPS analysis was that it did not account directly for *job* differences between postal and nonpostal workers. Supplementing the CPS with DOT job characteristics results in a CPS-DOT wage premium of .293 (34.0%). Although accounting for working conditions alone decreased premium estimates, this decrease was more than offset by an increase owing to what are lower skill requirements for postal than for nonpostal occupations.

In our report to the arbitration panels (Wachter, Hirsch, and Gillula 1995), we also reported wage premiums for postal workers relative to workers across private sector industry groups. These ranged from a low of .051 in mining to a high of .427 in trade. A separate analysis based only on a sample of union postal and nonpostal workers yielded a premium estimate

of .163, versus .247 for the combined union and nonunion sample. With the exception of union workers in mining, bargaining unit postal workers displayed a wage advantage relative to union workers in every industry, although the differentials in transportation, communications, and utilities and construction were small. As compared to the .247 premium across all race/gender groups, the premium for white males was .185.

Longitudinal estimates of the postal premium reinforce the conclusion that the CPS-only estimate of .247 understates the true premium. Postal new hires in 1994 received average wage increases of .329 log points (39.0%) (the sample included new hires ages 25 and over with a private sector full-time job within the previous year). Advantages of the wage change measure are that it accounts for otherwise unmeasured worker skills and self-defines a natural comparison group (i.e., entrants' previous jobs). CPS panel data for 1983/84-1992/93 provides results similar to the NHS, although the NHS has far larger sample sizes and less measurement error. Workers changing from private full-time to postal bargaining unit employment realized an average .281 log point wage gain (32.4%). We also examined the six DWS surveys for 1984-94 to measure wage changes among the small sample of previously displaced workers entering full-time postal clerk and carrier employment. These entrants averaged a real log wage gain of .256 (29.2%) relative to their previous full-time private sector job and a *relative* gain of .360 (43.3%) when compared to the average wage loss of .104 among displaced workers finding full-time employment outside the Postal Service.

Also presented to the arbitration panels was evidence on nonwage benefits, quits, queues, and displacement. Postal workers receive more nonwage benefits than do private sector workers, making the postal *compensation* premium larger than the wage premium. The effectively zero rate of job displacement for bargaining unit workers, as compared to what is often a substantial risk of permanent job loss among private sector workers, suggests an even larger premium. Finally, evidence for a large premium is reinforced by existence of very low quit rates and lengthy queues of qualified workers on postal employment registers.

With Whom Should Postal Workers Be Compared? The Issue of Union Status

A critical and rather contentious issue in the measurement of postal wage comparability has been the choice of the comparison group with whom postal workers' wages should be compared. Disagreement has centered on the method of calculating the premium with respect to union status, employer size, race and gender, and industry coding (Perloff and Wachter 1984; Linneman and Wachter 1990). The postal unions have generally

adopted in their CPS analysis a standard whereby postal wages are compared to those for private sector workers who are white, male unionized workers for large employers in the transportation, communication, and utility (TCU) industry sector. Calculations from the April 1993 CPS supplement indicate that white male union workers in firms with 1,000 or more employees account for only 5.6% of the private sector labor force; the figure is reduced to 1.4% if restricted to TCU. This narrow standard, although rarely stated explicitly, has been evinced in the econometric specifications utilized by economists for the postal unions in their criticism of our analysis for the Postal Service. Not in contention during the 1995 hearings was the occupational standard—analysis for the unions and Postal Service using the CPS compared postal clerks and carriers to private sector clerical and administrative support workers.

Our analysis for the Postal Service has adopted a comparison group of full-time private sector workers with individual and job characteristics similar to those for postal workers. Postal employees are compared to both union and nonunion workers and to workers in large and small firms and establishments. The weighting given each group corresponds to their distribution among the private sector comparison group of workers. We have argued that our comparison group treatment is consistent with economic principles and the PRA, whereas the white, male, union, large employer, TCU standard is consistent with neither.

The focus in this section is on the treatment of union status. CPS analyses presented by the unions were based on specifications including a control for union status, with unionized postal and nonpostal workers coded as 1 for union status. This has the effect of comparing bargaining unit postal workers to the small minority of unionized private sector workers and a relatively small number of nonunion postal workers to the overwhelming majority of nonunion private sector workers. In effect, a union standard is adopted because union status is treated like schooling and other transferable skill variables (see Linneman and Wachter 1990). Our analysis for the Postal Service calculates the postal premium by measuring the wage of bargaining unit workers relative to all private sector union and nonunion industry groups of workers, with weights being the private sector employment shares of nonmanagerial and nonprofessional workers in each industry-by-union status cell. That is, postal employees are compared not exclusively to unionized private sector workers but to a weighted average of union and nonunion workers. This approach is similar in principle to omitting a union variable from the wage regression, which would implicitly compare postal workers to a group of union and nonunion private sector workers (this is our approach on employer size).

The use of a union comparison standard, advocated by the postal unions and achieved through the explicit control for union status, might be an appropriate approach (1) if union status were entirely a proxy for transferable worker skills or (2) if all postal workers would be union members were they employed in the private sector. We turn to each of these arguments.

Union Status as a Proxy for Skill

Economists for the postal unions have defended the union standard on the grounds that it is a proxy for skill, reflecting a compensating differential for higher worker quality. This argument is not valid. Even if it were the case that union status is positively associated with unmeasured worker skills, it would not be correct to attribute *all* the union wage advantage to skill. The union standard assumes that the union variable reflects *only* skill. This is, of course, false. Much of the union wage advantage is due to its bargaining power and ability to obtain wage gains for its members relative to what they would earn as nonunion workers.

A conventional argument is that a union wage premium both allows and provides incentive for employers to upgrade the skill level of their workforce. High wages increase the quantity and quality of workers in the job queue and lower turnover. Employers, therefore, can select and retain higher-quality workers, offsetting *part* (but not all) of the higher hourly wage. Even this conclusion need not follow. Wessels (1994) provides a simple but persuasive challenge to the skill-upgrading hypothesis. Although the argument is correct in a nonrepetitive bargaining situation, the union-firm relationship is typically one of repeated bargaining. If firms upgrade in response to higher union wages, the union can then bargain in a future contract for an even higher wage in order to restore the premium. Employers, anticipating this, may respond by not upgrading or even hiring lower-quality workers. Firms that upgrade will face higher future wage demands and will have distorted their factor mix, using a higher skill-labor mix than is optimal given its technology.[3]

Within a wage equation framework, the relationship between union status and unmeasured skills can be examined in (at least) three distinct ways.[4] The most direct approach is to include in the wage equation variables that measure more directly worker and/or job skills. This is precisely what we have done in using the DOT, and estimates of the postal premium *increase* following control for occupational skill requirements. A second approach is to estimate a selection model accounting for unmeasured differences between union and nonunion workers. The reliability of such methods has been questioned by prominent labor economists, in no small part owing to

an enormous variation in estimates associated with such methods. In one of the more careful studies, Robinson (1989) argues that the selectivity approach can be informative and that a strong case can be made that selectivity-adjusted union premium estimates are *higher* than OLS estimates. This is consistent with there being *lower* unmeasured skills among union than among nonunion workers or, alternatively, a labor market sorting according to comparative advantage with skills that are nonhierarchical. The selection literature offers little support for the proposition that union status is a good proxy for skill.

A third approach to account for unmeasured skills is to estimate union premiums by examining wage changes among workers changing union status (e.g., Freeman 1984; Robinson 1989). Such longitudinal analysis typically results in lower union premium estimates than those implied by wage level OLS equations, although the extent to which lower estimates are due to measurement error in the union change variable, rather than to higher skills, is uncertain. But in marked contrast to economywide evidence, longitudinal estimates of the postal premium (see Table 1) based on the NHS, CPS panels, and the DWS clearly indicate wage gains among postal entrants *exceeding* wage premium estimates from cross-sectional analysis. The longitudinal evidence points clearly toward the conclusion that unmeasured skills among postal workers are low relative to private sector workers and that standard wage level estimates understate the postal premium. This conclusion is consistent with the CPS-DOT results, the low quit rate among postal workers, and the very large number of applicants on postal registers. In short, the union standard cannot be justified on the basis of its being a skill proxy for postal workers.

Private Sector Employment Opportunities and Union Status

Left unanswered is the question of how best to treat union status in the calculation of the postal wage premium. Our approach weights union and nonunion wages in the private sector by their actual employment shares. In 1994, 13% of full-time private sector nonmanagerial and nonprofessional workers were union members, so we calculate the postal premium giving a .13 weight to union and .87 weight to nonunion private sector wages. An alternative approach (and one that we believe has merit) is to assign union and nonunion weights based on the type of employment postal workers would have were they not postal employees.[5] Of course, this counterfactual must be estimated, so use of this approach is predicated on there being confidence in the prediction model employed. For the union standard to be correct, one must make the patently false assumption that *all* bargaining unit postal workers would have been employed in a private sector union

job. Our probit model predictions for workers with postal characteristics suggest that between 11% and 17% of postal workers would be union members were they employed in the private sector. Thus the "13% assumption" implicit in our analysis appears to be consistent not only with the PRA but also a reasonable approximation of opportunity cost wages for postal workers.

Conclusion

Economic analysis has played a prominent and visible role in Postal Service arbitration hearings. The issues placed before the arbitration panels have involved important methodological issues regarding the determination of public sector wage comparability. We have argued, based on economic principles and the law, that a broad comparison of postal bargaining unit workers to private sector workers with similar personal and job characteristics is the proper approach. By contrast, a narrow comparison of postal workers to unionized white males employed in large firms within TCU industries is not justified. By our measure, postal workers receive a substantial wage premium relative to private sector workers on the order of 30%. Standard wage level regression estimates appear to understate the premium. The conclusion that postal workers receive compensation well above "the compensation and benefits paid for comparable levels of work in the private sector" is reinforced by evidence on nonwage benefits, quits, and applicant queues. Our conclusion of a substantial wage premium has been accepted by a series of neutral arbitrators, beginning with Arbitrator Clark Kerr's 1984 finding of significant discrepancies from wage comparability in the case of the APWU/NALC and continuing through the subsequent interest-arbitration awards of Richard Mittenthal (1991 APWU/NALC), Rolf Valtin (1993 APWU/NALC health care arbitration), Arthur Stark (1995 NALC), and Jack Clarke (1995 APWU).

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Endnotes

[1] In the 1995 hearings, regression analysis for the NALC was based largely on the April 1993 CPS, containing relatively few postal workers. Wage "comparability" was

claimed once the postal/nonpostal differential, albeit positive, became statistically insignificant. The low level of significance was in part the result of the sample size.

[2] A log difference d is converted to a percentage differential by 100[exp(d)-1]. In presentations before arbitration panels, regression estimates of the premium have been presented using the postal wage base.

[3] Wessels reviews evidence and concludes that it is not consistent with skill upgrading. Note that evidence from the private sector on unions (or employer size) and unmeasured skills need not hold for the Postal Service.

[4] The production function literature examining union effects on productivity is indirectly related, since unmeasured worker skills correlated with union status are likely to show up as differences in technical efficiency. Surveys by Addison and Hirsch (1989) and, more recently, Booth (1995) conclude that unions do not increase productivity, on average.

[5] For development of this idea with estimates applied to firm size for federal workers, see Belman and Heywood (1993).

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The Use of Economic Analysis in Postal Service Interest Arbitration

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Over the past fifteen years, the U.S. Postal Service (USPS) and its national postal unions have made substantial usage of the interest arbitration process which Congress provided to resolve collective bargaining disputes under the Postal Reorganization Act.[1] Since 1991 ten postal dispute resolution proceedings have been litigated in bargaining units ranging in size from 180 to 350,000 employees. In the 1995-96 period alone, four national postal interest cases were fully litigated.

Each of these postal interest proceedings has been hotly contested with a great deal of effort and ingenuity invested by lawyers from both sides. This is appropriate because much is at stake in these proceedings. As Clark Kerr, who chaired the first major national postal interest arbitration board in 1984, wrote:

> This arbitration is an unusual one. It involves directly half a million people—the largest ever covered by an arbitration in the history of the United States. It also involves $13 billion—the difference between what the unions are demanding and what the USPS on its side is demanding. It also involves the prospective cost and quality of postal delivery that almost daily affects the lives and welfare of nearly every single resident of America and many living abroad.[2]

To assist Kerr in that interest arbitration, the lawyers pulled out all the litigation stops. As Chairman Kerr commented: "[The record consisted of] over 3,000 pages of oral testimony. . . just under 300 exhibits and over 4,000 pages of documentation. We doubt that ever before in American history has a similar case been so well prepared on both sides. We, as a Board,

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were extremely well served by presentation and preparations at the highest level of professional standards."[3]

The standard of thorough and vigorous litigation which marked the 1984 case before Kerr continues to the present day. If we fast forward to 1996, Chairman M. David Vaughn, who decided the mail handler dispute, commented as follows: "Hearings were held on twelve days. . . . The record consists of thousands of pages of transcript and hundreds of exhibits. The Board heard from dozens of witnesses, including economists, compensation experts, statisticians, labor attorneys, finance experts, postal management officials, union officials, rank-and-file employees, and postal customers."[4]

The economic evidence presented by the parties is a comprehensive and sophisticated treatment of the PRA comparability standard. For its part, the Postal Service strives to marshall the very best available witnesses and evidence to inform the neutral on the key statutory question: "How do Postal Service wage and benefit levels compare to the compensation and benefits paid for comparable levels of work in the private sector of the economy?"[5] The paper presented by Michael Wachter, James Gillula, and Barry Hirsch details many of the specific economic facts and methodologies presented by the Postal Service in interest arbitration proceedings since 1984.

One can glean the breadth of the economic data presented by the Postal Service from the following remarks made by D. Richard Froelke to the Clarke Board in the 1995 APWU case:

> The Postal Service is the employer of choice in the American economy. Over a million citizens are on postal hiring registers seeking to become postal employees. On average, when they join the Postal Service, our new hire survey establishes that they receive a pay increase of 45% over their last full-time private sector wage. Whether you look at postal jobs matched with their closest counterparts in the private sector as compensation expert John Sullivan did or engage in more sophisticated analyses of labor markets by econometrically studying postal employees and postal jobs, as Wachter, Hirsch, and Gillula did, a substantial wage and benefit premium of between 20% and 30% emerges. When postal employees gain career status, our quit-rate analysis shows that literally no one voluntarily leaves Postal Service employment. . . . Postal Unions, contrary to their struggling cohorts in the AFL-CIO, operate in a rarefied atmosphere of employment security (no postal employee has been laid off during the past 24-year operation under the PRA).[6]

The Postal Service believes that the hard economic evidence which it has presented to interest neutrals since 1984 has been very useful to them

and has been reflected in the substantive terms of their interest awards. The extensive evidence of a Postal Service wage premium advanced before the Kerr Panel in the 1984 NALC and APWU interest arbitration led Kerr to conclude that "discrepancies in comparability have emerged" which required, in his words, "moderate restraint." Kerr defined "moderate restraint" as "a slowing of [Postal Service] wage increases, as against the private sector, by one percent a year or for three percent in total over the life of this contract." He also presciently observed that "[m]oderate restraint may also be necessary in future years to approximate the guideline of comparability as established by Congress."[7]

In the 1991 APWU and NALC case, Chairman Richard Mittenthal, after hearing substantial expert testimony and documentation from the Postal Service, which demonstrated the continued existence of a substantial wage and benefit premium, concluded: "Notwithstanding the efforts of the Kerr board to establish a principle of 'moderate restraint,' a wage premium still exists. Hence, the need for continued 'moderate restraint' still exists."[8]

Finally, in the 1996 mail handler interest arbitration, neutral Chairman M. David Vaughn, after reviewing the precedent set by the 1984 Kerr award, stated:

> Subsequent Postal Service arbitration panels have been presented with lengthy analyses of similar data and have reached similar conclusions. In the 1995 NALC and APWU cases, after a combined thirty-one days of hearings which focused primarily on whether Postal wages were comparable to wages paid for similar work in the private sector, . . . the Stark and Clarke Arbitration Panels awarded four-year contracts covering the Letter Carrier and APWU national bargaining units, respectively, which provided during the term two "modest" wage increases, two lump sum payments and a partial continuation of COLA. Those Awards recognized the continued existence of a Postal "wage premium." The Stark and Clarke Awards continued, and provided additional restraint to, the restraint originally imposed by the Kerr Panel. The wage adjustments were intended to yield increases less than the projected wage growth in the economy as a whole. . . .
>
> I am persuaded by the evidence presented by the Postal Service that its NPMHU-represented employees continue to enjoy a wage premium compared to their counterparts in the private sector, despite continued application of "modest restraint" by each subsequent arbitration board. The existence of that wage premium requires continued restraint on wage increases. I believe

> that application of "moderate restraint," as has been more stringently defined in the Stark and Clarke economic packages, is an appropriate and sufficient response at this time to reduce the wage premium paid to bargaining unit employees.[9]

The fundamental problem with Postal Service interest arbitration awards is that given the repeated arbitral holdings of a wage premium and the need for continued and even more strident "moderate restraint," not every neutral who has attempted to craft a result to conform to the "moderate restraint" principle has, in actuality, succeeded. This criticism is not meant to be overly harsh. Given the complexities and vagaries of the labor market and American economy, it is understandable that an arbitrator's projections of wage growth and changes in the Consumer Price Index (CPI) do not always track reality. Despite the best efforts and educated guesses of postal neutral arbitrators, closing the gap between postal wage levels and those prevailing "for comparable levels of work in the private sector" has been an elusive goal.

Based on our experience, we believe a better way has emerged which would remove the guesswork from the arbitral wage-setting process and provide a more precise and objective mechanism for establishing Postal Service salaries in compliance with the PRA's private sector salary comparability mandate. To accomplish this, we propose that Postal Service neutrals utilize the following two-step process to resolve wage and salary disputes: (1) given the PRA private sector comparability standard, the arbitrator should determine whether the wage level of the affected bargaining unit is currently "at market," "below market," or "above market"; and (2) after the arbitrator has determined where the unit stands in relation to the private sector labor market, the arbitrator should use the U.S. government's Employment Cost Index (ECI) to adjust the future wage levels.

The ECI is a highly reputable, unbiased quarterly measure of the change in the price of labor, free from the influence of employment shifts among occupations and industries. In the 1995 NALC factfinding case, Rolf Valtin noted that the ECI "is widely used as a gauge for arriving at appropriate pay levels in the federal sector, and it has been endorsed as a fair and proper mechanism by some unions representing federal employees. And, given the comparability standard mandated by Congress in 1970 in enacting the Postal Reorganization Act and given ECI's all-inclusive measuring of the movement of private sector wages, there is no denying the appropriateness of the ECI as a guide in postal collective bargaining."[10]

Use of the ECI for wage adjustment purposes would work in the following way, depending upon whether the affected employees were determined to be "at market," "below market," or "above market":

• If it is determined that employees are "at market," the wage adjustments would be based on the actual movement of ECI private sector wages over the life of the contract.

• If it is determined that employees are "below market," the wage adjustments would be based on the actual movement of ECI private sector wages, plus an appropriate additional percentage. By using the ECI in this manner, the neutral would make sure that the bargaining unit got "the market" increase plus some "catch up" for the term of the contract.

• And, finally, if it is determined that employees are "above market," the wage adjustments, if any, would be based on the actual movement of ECI private sector wages, minus an appropriate percentage. By using the ECI in this manner, the neutral would make sure that there would be, in fact, a narrowing of the wage premium by precisely the amount the arbitrator deemed appropriate over the term of the contract.

Significantly, what we are proposing for the Postal Service's larger bargaining units has been successfully utilized to set wage levels for two of the Postal Service's smaller bargaining units. The Postal Service and the National Professional Postal Nurses (NPPN) litigated the relative wage position of a bargaining unit of occupational health nurses before a factfinding panel in 1995. The weight of the record evidence in that proceeding established to the satisfaction of the factfinding panel that the USPS nurses were paid *at market* when compared to "comparable levels of work in the private sector of the economy." As a result, the panel recommended that wages for the first year of the new agreement be set "from the percentage change in the June 1995 ECI over the June 1994 ECI or 2.9%."[11] The factfinders also recommended that for an additional three years wage "increases should be based upon actual increases in the ECI, with the formula to be included in the agreement as proposed by USPS but without the proposed reduction of 1% per year."[12] The USPS and NPPN accepted the factfinders' recommendation in later collective bargaining and the agreement was overwhelmingly ratified by the bargaining unit.

We hasten to add that the typical Postal Service dispute resolution experience involves circumstances where the bargaining unit enjoys a wage premium over the wage levels currently paid for "comparable levels of work in the private sector of the economy." The ECI would work extremely well in setting wages in these cases as well. Thus where the neutral determines that the wage premium is substantial, a wage freeze of one or more years may be needed in order to reduce the gap with the private sector as the recent Stark, Clarke, and Vaughn awards did. And if, in the neutral's judgment, the wage premium should be reduced over time, the award may be ECI-2% or ECI-1% per year.

An example of the latter approach is found in the USPS labor agreement with the Fraternal Order of Police, National Labor Council, USPS Local No. 2 (FOP). In this postal police officer bargaining unit, the parties, after a 1994 factfinding, agreed that "moderate restraint" on future wage growth was appropriate. The parties agreed that ECI-1% would be adopted as the means for adjusting future wage rates and that agreement was overwhelmingly ratified by the FOP membership. In fact, in 1996 the FOP labor contract featuring yearly wage adjustments utilizing the ECI-1% contractual formula was extended for two additional years, again supported by an overwhelming vote of the FOP membership.

The ECI is a valuable tool which interest neutrals can and should use to set wages. It permits the parties and the neutral to focus on whether the bargaining unit is "at market," "below market," or "above market" and by how much. It allows the neutral to adjust wages in relationship to the actual labor market by the formula of ECI, ECI plus X percent, or ECI minus X percent. The Postal Service's experience with the ECI demonstrates that employees understand it since they have overwhelming ratified agreements which specifically use ECI as the wage adjustment mechanism. Moreover, use of the ECI is in the public interest because it gives full expression to the statutory comparability principle.

Finally, and most importantly, use of the ECI removes the substantial risk of arbitral error of being too high or too low in the wage award. Examples exist within the Postal Service interest arbitration jurisprudence to demonstrate that *attempting* "moderate restraint" and *achieving* "moderate restraint" is a difficult and elusive goal when neutral chairs use a combination of wage freezes, general increases, COLA clauses, and/or lump sums to produce the desired result rather than an adjustment mechanism that directly relates the desired result with the actual movement of wages in the private sector of the economy. In view of the PRA's explicit private sector wage and benefit comparability standard, it simply does not make any sense to include as an element of compensation (as the Postal Service's contracts with the clerks, the city letter carriers, the rural letter carriers, and the mail handlers presently do) adjustments based on a formula tied to the CPI, especially since there is an increasing body of evidence that there is a substantial upward bias in the CPI. Since the standard of comparability is based on private sector wages, Postal Service wages should be adjusted based on changes in private sector wages and should not be based, in whole or in part, on changes in prices.

The Postal Service and two of its unions have "market tested" use of the ECI as the sole wage adjustment mechanism, and it works remarkably well! Use of the ECI to determine wage adjustments for postal employees

is a fair, objective, and precise means of effectuating the congressionally established comparability standard. Moreover, use of the ECI could actually reduce the necessity of the parties having to resort to interest arbitration at all. This possibility holds special promise for the Postal Service and its unions which have clearly overworked the arbitration process.

Endnotes

[1] The provisions of 39 USC Section 1207 of the Postal Reorganization Act (PRA) generally provide for a 45-day period of factfinding before a three-member panel of neutrals which produces a report "with or without recommendations." Following a period of bargaining after factfinding, the statute provides for a 45-day period of interest arbitration before a tripartite board chaired by a neutral third party. The board is to provide the parties with "a full and fair hearing" and render a "conclusive and binding" resolution of the bargaining dispute. The director of the Federal Mediation and Conciliation Service (FMCS) provides USPS and the postal union with a list of fifteen neutral factfinders from which each party selects one name and the two selected factfinders then choose the panel chairman from the remaining names on the FMCS list. In interest arbitration, each party designates its arbitrator member of the board and the director of FMCS appoints the neutral chairperson, if the parties are unable to agree on a neutral chair. The bargaining parties have the statutory authority to agree to modify the nature of the dispute resolution process, the time periods, and neutral selection methods provided within Section 1207.

[2] *United States Postal Service and National Association of Letter Carriers, AFL-CIO and American Postal Workers Union, AFL-CIO,* 83 LA 1110 (Kerr 1984).

[3] Id.

[4] *United States Postal Service and National Postal Mail Handlers Union, AFL-CIO* (Vaughn 1996), at p. 3.

[5] The PRA comparability standard is found in 39 USC Section 101(c) and Section 1003(a).

[6] Remarks of D. Richard Froelke before Clarke Board, August 1995, Exhibit 30, at pp. 4 and 6.

[7] 83 LA at 1111.

[8] *United States Postal Service and National Association of Letter Carriers, AFL-CIO and American Postal Workers Union, AFL-CIO* (Mittenthal 1991), at p. 16.

[9] *United States Postal Service and National Postal Mail Handlers Union, AFL-CIO* (Vaughn 1996), at pp. 7-8.

[10] *United States Postal Service and National Association of Letter Carriers, AFL-CIO* (Valtin 1995), at p. 11.

[11] *United States Postal Service and National Postal Professional Nurses*, Factfinding Report (Fleischli, High, and Sickles 1995), at p. 26 and Article 9.01(a) of the parties' subsequent collective bargaining agreement.

[12] Id.

IV. THE ORGANIZING CHALLENGE

Overcoming Negativism: The Mission Statement in Union Organizing

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Union organizing has typically depended on management actions that provoke anger in the workplace. Working women and men have much to be angry about. For more than twenty years, real wages have stagnated, and income disparities between wage earners and management have widened. At large firms, CEO salaries now average more than 200 times that of the average wage earner. Household debt is at record highs. Yet both union density and the level of organizing activity in the U.S. private sector has declined during this twenty-year period.

When organizing does occur, anger over issues such as low wages is clearly a driving force. Yet for many workers that anger is not sufficient to ensure their support in the face of their employer's total resistance to union organizing. This middle group is more likely to support the union despite management opposition, if they help articulate the strategy and are convinced that change is possible. Organizing for them must move from a negative critique of management to a positive vision of change and their own empowerment.

The increase in employer interference in organizing drives best explains declining union density and organizing activity. Virtually every private sector organizing effort in the past two decades has been met with total employer opposition, both legal and illegal. Such employer opposition and interference have been well documented.

Employer opposition to collective bargaining has not been confined to organizing efforts but also extends to eliminating union workplaces, creating nonunion subsidiaries, contracting out union work, and the use of

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agency employees to replace permanent union-represented staff. Management might contend that this is part of an effort to increase profits through restructuring and greater efficiencies, but the evidence documents an ideological antiunion, "at-all-costs" mentality as well.

Human resource management schemes such as team building have increased dramatically during the same two decades. In many instances, such team building in nonunion workplaces is part of union prevention and avoidance. Human resource management has increasingly viewed itself as a union substitution department, capable of developing workplace leadership while maintaining total loyalty to the firm. Obviously, team building has done nothing to cut the disparities between wage earner and management pay or end the stagnation in real wages.

For at least thirty years, labor practitioners have attempted to incorporate a progressive view of worker empowerment and participation as an element of union strategy (Gorz 1964). In our union, Communication Workers of America (CWA), the debate about how to properly balance and integrate worker participation efforts with our primary reliance on building effective resistance to management abuse still remains an important problem. Yet at minimum, there is broad agreement that part of the role of the union at the workplace is to articulate a positive vision for change. It is not sufficient for us to simply react to problems or crises generated by management.

Similarly, union organizing needs to not only acknowledge and incorporate total management opposition to collective bargaining but also to project the union as a key vehicle in true workplace empowerment. In this context, an integral part of the CWA organizing process includes the development of a positive vision for change in the unorganized workplace. At minimum, this rests on union-proposed solutions to workplace problems. But in many cases, this approach transcends particular issues and presents a more generalized vision for the nonunion workplace.

In a current national campaign among 10,000 USAir passenger service representatives (reservation centers and airport-based), inside organizing committee leadership worked with CWA staff to develop a positive vision of USAir's future. Whereas the management vision is primarily based on cost cutting, including wages and benefits of these unorganized staff, the union vision is, first of all, more optimistic about the future and seeks to increase passenger load by increasing passenger service.

A key element in organizing around and drafting an effective mission statement is real ownership of the organizing campaign by the inside leadership group. Continuing with the USAir example, CWA's passenger service organizing committee developed and refined the campaign's focus over a nine-month period. While the key elements in the mission statement were

central to the organizing campaign from the beginning, these concepts crystallized as the campaign progressed and the leadership group expanded. Since this group was covered by the Railway Labor Act and the bargaining unit had to be national in scope, committee leaders have discussed strategy on hour-long weekly conference calls for more than one year. These conference calls were structured to strike a balance between the issue-based content of the campaign and a continuing quantitative analysis of the organizing results by principal location.

The USAir organizing mission statement ultimately evolved into three major points (Appendix 1). First was the issue of an effective voice in the workplace. The mission statement argues for "our own organization" so that like other represented occupational groups, passenger service employees can effectively be heard and involved in key decision making. Passenger service staff, both in the reservations centers and in the airports, are the only key group without their own organization at USAir. Every other group participates in collective bargaining, including discussions with management about the future of the airline. Passenger service staff provide increasing information to customers as the interface with information technology (computer data bases ranging from thousands of different fares to seat selection and frequent flyer status and awards). A central theme of the organizing drive has been recognition for the role of passenger service in differentiating one airline from another.

Point two in the USAir organizing mission statement concerns constant management proposals to restructure the airline. Restructuring ideas are launched by USAir management nearly every week. Rumors fly about United, American, or British Airways buying USAir, then shift to USAir buying TWA or America West. At a recent meeting with securities analysts, CEO Stephen Wolf was accompanied by union leaders from the pilots, flight attendants, and mechanics. This again underscored the impotence of passenger service staff to participate in discussions about restructuring while other major groups were all represented.

The third key element in the mission statement emphasizes traditional organizing themes tied to the falling standard of living of passenger service staff and their families. In the past several years, management has implemented a Tier-B wage-and-benefit scale, followed by an even lower Tier-E scale. At the airports, full-time staff have often been replaced by part-timers. Two of the ten reservation centers have been closed in the past five years, resulting in a growing awareness among reservation center staff that their jobs could be moved anywhere. While asking for flexibility and benefit cuts from employees, in CEO Wolf's first year on the job, his total compensation is in excess of $7 million.

In the final months before ballots were mailed, committee members have asked their coworkers to "sign" the mission statement openly so that undecided colleagues would not only focus on key issues but visualize the level of popular support.

In addition to the visual effect of seeing hundreds of names and photographs of coworkers supporting the mission statement, it also served as a basis for face-to-face conversation. Organizers and inside leaders encouraged active supporters to incorporate the three main points of the mission statement into a "five-minute conversation" with each coworker for whom they were responsible. The key to the five-minute conversation was the tendency instead to compress the conversation to less than a minute and work more off of generalized feelings than the key issues driving the campaign. At each airport or reservation center, organizers were also encouraged to add one or two key local points to the mission statement based on particular concerns.

In smaller organizing efforts, the mission statement is even more valuable. Active workers can craft the statement in a style and spirit of their own. It is easier to incorporate the intense feelings that often are crucial to winning a campaign. Two early examples in CWA's use are an organizing drive among cable technicians in Baltimore, Maryland, and another among newspaper distribution workers in Salt Lake City, Utah. Each effort included about 100 workers, all employed in a single city. TCI is the principle cable system in Baltimore and nationally is by far the largest cable multiple system operator. Led by billionaire CEO John Malone, management is ideologically antiunion and continually wages war against its one thousand union-represented employees (about 5% of its workforce). In addition to an aggressive and typically illegal union prevention program, TCI attempts to decertify those units represented by CWA and other unions at every opportunity. CWA organizing in Baltimore began about one year after another union lost a representation election there nearly unanimously. CWA's first organizing effort in Baltimore resulted in a representation election loss that was fairly traditional and not characterized by real leadership from the bargaining unit.

The election loss and the first-hand experience of a total effort to destroy the union by TCI management persuaded both CWA local leaders and inside committee members that if there was to be a second CWA campaign, there needed to be more worker ownership of that effort and a deeper commitment from the technicians as a group.

Soon after the first election, management retaliated against union leaders with a work site lockup. System management argued that widespread signal theft was occurring and that participants would be discharged. Without warning, management detained fifteen technicians in an interrogation

room for an entire day. Security guards were posted in the room, and at the end of the day most of the group was suspended. In response to unfair labor practice charges and, more important, an uproar from the community, all but one suspension was rescinded. The group included virtually every union leader. Later, in a sworn affidavit, the manager of the detective agency hired by TCI to spy on the workers, admitted that union activists had been targeted and that the signal theft incident was but one of several examples.

The anger generated by this incident convinced many of the "middle" voters who had voted no in the first CWA representation election to change their minds. A much broader committee was formed, which openly led the second organizing effort. The day the committee went public, they issued their mission statement "Don't Be Suckered Twice" (Appendix 2). Their mission statement reflects not only issues such as poor wages and benefits but the total lack of respect given technicians by TCI management. In the first election, management had wined and dined technicians as the vote approached, including a big party at Camden Yards, home of the Baltimore Orioles. Anticipating a similar campaign from management in the second election, committee leaders implored, "Those that feel violated, cheap, hustled or suckered . . . you were, but there is still hope."

This mission statement was written entirely by the committee and signed by 14 committee members before being distributed to the entire work group. Open support for the union continued to build, and a second version of the mission statement was issued on the day before the election signed by 60 technicians representing about 75% of the entire bargaining unit. By the end of the campaign, open support included a majority of the unit wearing pens and hats, as well as community rallies supporting the organizing effort held in front of the main work location. CWA won the representation election by an overwhelming margin.

While not as dramatic, organizing by newspaper distribution employees, including drivers, in Salt Lake City, Utah, followed much the same model. While issues including low wages and benefits were decisive, use of the mission statement was important in defining the campaign and confirming the middle voters. The mission statement again reflected the feelings and spirit of the group, as well as the key issues (Appendix 3).

Again, the mission statement was issued first by the committee members, then later, all union supporters were asked to sign. The list of supporters was released one day before the representation election. In the resulting representation election, CWA won by a narrow margin, with the number of yes votes nearly identical to the number of mission statement signers.

Obviously, the use of the mission statement itself does not guarantee success or even that negative feelings engendered by the employer campaign will be overcome. Short of statutory reform providing card check recognition, there are no truly effective answers to employer opposition and interference. But union and community efforts to blunt employer interference would be the subject of another essay. CWA organizing experience seems to indicate that despite such employer interference, the union campaign can at least partially defend against the fear and conflict engendered by the employer. Even in campaigns with strong majority support before filing an NLRB petition, typically, nearly one-third of the bargaining unit becomes middle voters by the day of the election. If these middle voters stay focused on the positive vision for change embodied in a mission statement, they are much more likely to vote yes. Confirming these feelings by getting them to publicly sign the statement is crucial.

The mission statement signed by a majority establishes both a program and the unity necessary to achieve it. The statement becomes an integral part of systematic organizing as well as a useful part of the transition from organizing to union building.

APPENDIX 1

(Signed by more than 300 members of the CWA
Passenger Service Employees Organizing Committee)

Here's why we're voting for CWA representation . . .

1. This is our time. We need our own organization.
   CWA With 600,000 members (130,000 in customer service) is dedicated to making our voice in passenger service a powerful voice at USAir. CWA has the track record.

2. Restructuring impacts our careers.
   Nearly every week we hear another rumor about our jobs, yet we are the only group at USAIR without our own organization. Merger, low cost, USAir "lite-downsizing," "right-sizing," res center closings, what will be next?

3. Income, benefits, and work conditions are eroding.
   Mandatory part-timing our work, loss of swaps, loss of holiday pay, salary freeze, PDOs, and pension cuts, frequent seniority changes, lower salary scale, and no benefits for recent part-timers—what's next?

APPENDIX 2

VOTE YES FOR C.W.A. DON'T BE SUCKERED TWICE!

Since the past election for a Union, little has changed. True, we have gone to a zone concept, and back again. A few of us have been promoted, but as for real change that benefits us, nothing. We have had several cosmetic changes. A new fence around the parking lot with posted guards (as if that has stopped the thieves from breaking into our vehicles); some new chairs, and the walls have been painted (that's like painting a closet white to make it larger). Even the new employees can see the company has no intentions of improving wages in a manner that will provide us an existence other than paycheck to paycheck, and overpriced health care.

In light of TCI's recent and past history (remember October 26), it is obvious the only way change will be made is if we unite and force them by law to negotiate a contract. With a contract, TCI, the biggest cable company in the United States, would have to recognize its employees as humans rather than members of a silent and powerless subculture, who can be controlled by intimidation.

Those that feel violated, cheap, hustled or suckered . . . you were, but there is still hope. When the rhetoric begins and you have the opportunity to take charge of your destiny, VOTE YES FOR CWA. Don't be suckered twice.

Signed: Members of the Organizing Committee

APPENDIX 3

U´nion: an act or instance of uniting
We are uniting at the Newspaper Agency Transportation Dept.

We stand together for . . .

• An end to the hundred dollar club . . . we feel this is unfair punishment for good drivers . . . there are better ways to encourage safe driving. We're working to make the practice of taking that hundred dollars illegal if necessary.

• Better wages and a fair wage scale . . . union contracts provide regular raises based on length of service . . . Transportation employees currently get raises at management's whim.

• Better healthcare benefits and pensions.

• Fair treatment . . . union contracts include a grievance procedure so that we could challenge unfair discipline and unfair firings.

• Guaranteed hours of work . . . many drivers have had their schedules changed with no input and their hours cut. We want to have our hours in writing so that management can't just change their minds.

• Respectful treatment for both full and part-time drivers.

• A real voice in our worklife at NAT.

VOTE YES JANUARY 13 & 14!

A Preliminary Investigation of Neutrality Agreements Negotiated in the Private Sector

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A long stream of industrial relations research has identified employer opposition as a key variable in explaining both union losses in certification elections and, ultimately, a factor in the decline in unionization in the U.S. (Dickens 1983; Freeman and Medoff 1984; Lawler and West 1985; Bronfenbrenner 1994; Comstock and Fox 1994). Due in part to this research, neutralizing employer opposition has become an important union goal. The primary tactic for reaching this goal has been the reform of the National Labor Relations Act so as to reduce the opportunities for employer opposition, primarily through speeding the election process (see, for example, Weiler 1990, Commission on the Future of Worker-Management Relations 1994). The election of Bill Clinton and the ensuing creation of a commission to consider labor law reform raised the labor movement's hopes in this regard. These hopes were subsequently dashed first when it became clear that a Republican filibuster of striker replacement legislation (and therefore presumably union-friendly labor law reform) could not be prevented in the Senate and, secondly, when the Republicans became the majority in both houses of Congress after the November 1994 elections.

A second tactic for neutralizing management emerged even before these legislative disappointments, however. That is, the negotiation of agreements by management to either remain neutral in certification elections or, in some cases, conduct expedited elections or even recognize the union based solely on the presentation of a sufficient number of signed membership cards. Indeed, some experimentation began with this strategy at roughly the same time that an earlier wave of labor law reform failed in 1978. The first well-known agreement of this type was negotiated between

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General Motors (GM) and the UAW in 1976 (Craft 1980:754). Like the current wave of these agreements, this accord emerged out of broader efforts of the parties to improve their relationship and to provide more forums for worker and union participation in management decisions. A number of other agreements providing for neutrality or similar arrangements were negotiated in the late 1970s, including the IUE and GM (1976), USWA and Basic Steel (1977), URW and the major rubber producers except Goodyear (1979) and BCT and Phillip Morris (1980) (Craft 1980, 754). Interestingly, most of these were not similarly situated in a broader change effort.

As the numbers of labor and management partners seeking to create a more collaborative relationship and to extend the union's role in management increased throughout the 1980s and into the 1990s, unions increasingly extracted employer commitments to remain neutral in organizing. AT&T, for instance, negotiated noninterference language in the original "Workplace of the Future" agreement with both the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW) in 1992. The Steelworkers (USWA) included as part of their "New Directions Bargaining Agenda" (developed in 1993) a commitment to establish partnership agreements with companies with whom it has bargaining relationships. Another component of the agenda is the bargaining of neutrality agreements. This has resulted in the bargaining of both partnerships and neutrality agreements with most of the major steel producers. The Paperworkers (UPIU) bargained national cooperative agreements with two paper producers, James River and Scott, that at least originally included neutrality agreements. The widely hailed Levi-Strauss/ACTWU (now UNITE) agreement negotiated in 1994 provides for both neutrality and a unique form of union access to nonunion facilities.[1]

Despite this important and growing list of companies and unions with neutrality agreements, little is known about them. There is no systematic information indicating where these agreements exist beyond the well-known cases cited above. Nor is there any systematic information regarding the content or coverage of the agreements. There has been no research to indicate why some parties have negotiated this language and others have not. Of several books published recently by industrial relations scholars concerning either new and changing labor relations (Kochan and Osterman 1994; Cohen-Rosenthal and Burton 1993; Walton et al. 1994), virtually none discuss the negotiation of neutrality agreements. Yet, if the literature on organizing is correct and management resistance really is the primary problem, in theory, neutrality agreements could lead to new and successful organizing, a central goal of the labor movement. This raises the final and

perhaps most crucial set of questions. What is the organizing experience under these agreements? Are unions organizing under them and has it made a difference?

This paper summarizes the results of the first stage of a larger project currently underway to answer all of the questions raised above. As such, it deals only with the first gap in what we know about neutrality agreements: that is, how many are in existence and which parties have bargained them.

Research Method

The target of our data collection effort thus far has been national unions. In September 1996 we sent out brief surveys to representatives of 57 national unions. We eliminated any union with a membership of 10,000 or less as well as any union with a majority of its membership in the public sector. A couple of unions which have technically merged with other unions but have so far maintained independent staff and/or where the new "parent" union was unlikely to know much about the merged unions' affairs were retained in the universe of separate organizations. The representatives were divided between individuals identified by the Industrial Union Department of the AFL-CIO as likely to be able to answer the survey—typically research directors, representing about 40% of the population, and union presidents. All respondents, but particularly presidents, were asked to forward, if necessary, the survey to the staff person most likely to be able to answer it. All unions that failed to return the survey after the initial mailing received follow-up phone calls. We then divided the sample based on our best estimate of which unions were likely to have bargained neutrality, primarily the industrial unions, and concentrated further follow-up efforts there. Some of the surveys were subsequently filled in via phone interviews. These interviews often yielded other useful information about unsuccessful attempts to bargain neutrality and experience with existing agreements. The data from the surveys were supplemented in a few cases with information from other sources, including BNA and other labor publications.

The survey itself focused simply on identifying all existing neutrality agreements bargained by the particular union. Respondents were also asked to identify any agreements that provided for unit accretion, recognition through card checks, and physical access. In each case, we requested the name of the company and a union contact for further data collection. We also asked whether it is national union policy to bargain for noninterference in the context of partnership agreements and what the experience has been in that particular setting. Finally, we asked, for the most part in vain, for any notable examples of past neutrality agreements.

Results

As of this writing, we have received surveys back from 25 unions. We have identified 3 additional unions with neutrality agreements through other sources. We know nothing about the other 29 unions, 3 of which actually refused to participate in the survey. While the response rate is somewhat disappointing, it should be noted that the majority of the nonrespondents are craft unions which are extremely unlikely to have bargained the kind of agreement in which we are interested (see below for further information on sectors). We intend to continue pressing the remaining nonrespondents who are more likely to have such agreements for a response.

Table 1 contains a list of the unions which we know have neutrality agreements in effect as well as the number of agreements. With a couple of exceptions, most of the unions have only one or two agreements at this time. Some of these unions also have card check provisions either with the same companies (CWA) or with different companies (OPEIU, UPIU, and SEIU). It should be noted that this list may not be exactly correct. In some cases the national union representatives were not sure they knew of all of the existing agreements. In at least two cases, the respondents were not sure if the agreement was still in effect.

TABLE 1
Unions with Neutrality Agreements

Union	Number of Agreements
Auto Workers (UAW)	Not Available
Bakery, Confectionery and Tobacco Workers (BCT)	2
Carpenters (UBC)	1[1]
Communication Workers (CWA)	6
Brotherhood of Electrical Workers (IBEW)	Not Available
Grainmillers (AFGM)	2
Hotel and Restaurant Employees (HERE)	Not Available
Office and Professional Employees (OPEIU)	2
Oil, Chemical and Atomic Workers (OCAW)	1
Paperworkers (UPIU)	1
Service Employees (SEIU)	9
Steelworkers (USWA)	At least 7-8
Union of Needletrades (UNITE)	1

[1] Technically, this is a card check agreement, not a neutrality agreement.

Table 2 gives a breakdown of agreements by sector. As alluded to above, none of the craft unions responding have bargained neutrality agreements. Given the essentially top-down nature of organizing historically found in construction, that is not surprising.[2] This category also

included several transportation unions; in these cases the bargaining structure (one craft bargaining unit per airline) makes it unlikely that the unions would find neutrality useful since most agreements arise in the context of multiple-facility agreements or opportunities. There appears to be no real differences between service and manufacturing unions in terms of proportions bargaining neutrality.

TABLE 2
Neutrality Agreements by Sector

Sector	Neutrality Agreements Bargained	No Neutrality Agreements Bargained	No Response
Service	4	3	1
Manufacturing	7	5	7
Mixed with substantial service or manufacturing	2	0	4
Craft including building trades and transportation	0	7	17
Total	13	15	29

These existing neutrality agreements are not, for the most part, resulting from explicit national union policy. Only two unions reported a clear policy to bargaining neutrality agreements: CWA does so in the context of partnership agreements, while the Steelworkers policy, as described above, is to pursue both partnership and neutrality as part of a larger "agenda." A few other unions gave somewhat mushier, affirmative answers as to whether they had formal policies along the lines of "we try" or "we advise our locals to pursue them." Not surprisingly, none of the unions without neutrality agreements have a policy to bargain for them. One, the UE, appears to take an actively negative stance toward neutrality agreements. Interestingly, many of the responding unions reported that they were involved in partnership agreements that did not include neutrality agreements.

Table 3 presents data on membership levels in 1995 as well as for changes in membership from 1985 to 1991 and 1991 to 1995. The unions with neutrality agreements are, on average, considerably larger than either those without or those not reporting. They also experienced greater membership loss in the earlier period.[3] The causality of this relationship is difficult to identify, however. It seems most likely that the greater membership losses have stimulated the unions to bargain neutrality as a way to aid organizing. It may also be that these differences in membership levels and changes are primarily a sectoral artifact; that is, the industrial unions are the largest, have suffered the greatest losses, and have bargained neutrality.

TABLE 3
Mean Membership

	Membership 1995	% Change in Membership: 1985-1991	% Change in Membership: 1991-1995
Unions with neutrality[1]	578,231	-8.27	-8.89
Union without neutrality[2]	54,700	15.64	-11.01
Nonrespondent[3]	165,885	-7.21	-9.56

Source: Membership data: Bureau of National Affairs, *Directory of U.S. Labor Organizations*, 1996 ed., Washington, DC.

[1] Data for UNITE = ACTWU + ILGWU

[2] Missing data for four unions.

[3] Missing data for two unions.

In addition to these basic data on who has bargained these agreements, our survey work, especially the telephone calls, provides at least anecdotal information on the use and value of neutrality. Paradoxically, the comments suggest contrasting observations about the usefulness of neutrality language in achieving better success in organizing. On the one hand, respondents noted that seasoned union representatives and plant managers (and sometimes corporate industrial relations officers) familiar with unions at other company locations can reach unwritten, informal agreements by which neutrality, card check, and unit accretion arrangements operate. The trade unionists with whom we spoke suggested these were valuable tools.

On the other hand, several respondents pointed out substantial drawbacks to the formal agreements their unions had negotiated. In one case, a respondent noted that the employer's neutrality may steal from union organizers one of their best organizing arguments—the unreasonableness of management. Further, the agreement may cast suspicion on the union's true independence from management. A few survey respondents pointed out that despite top management's stated commitment to neutrality, local plant managers aggressively fought the union. Whether corporate leaders were unwilling or unable to stop the antiunion activity, the fundamental flaw with the agreements was the lack of sanction for their violation. One respondent noted that even the AFL-CIO was unable to protect against the violation of its recently negotiated neutrality agreement between the AFL-CIO and the Union Privilege credit card provider, Household Finance Corporation. This list of difficulties should be considered preliminary at best; stage two of the research, the closer look at the experience under specific agreements, will enable us to more fully understand to what extent each of these is a serious drawback to neutrality agreements.

Conclusions and Next Steps

We have so far identified a little over 30 neutrality agreements. While we know there are at least a few more out there, our primary reaction at this stage is surprise that there were not more. The relatively small number may be because they are either routinely violated or at least trade unionists believe they are and are therefore not worth using up bargaining power. It is also the case that there has to be some leverage to bargain them in the first place, and typically this exists in multifacility agreements. Given the decentralized nature of bargaining in the U.S., this means a limited potential population in the first place. The sectoral distribution of existing agreements bears this out. A notable exception to this general rule appears to be HERE's agreement with Marriott in San Francisco, leveraged essentially through a public works project. Finally, it should be noted that the leverage needed to bargain neutrality with employers is probably considerable given their perceived interest and commitment to union avoidance when possible. Together these observations suggest that the qualitative differences in neutrality arrangements and the "cost/benefit equations" associated with them for unions need further exploration.

Thus our next step is to more fully pursue a twin set of questions: Why have these agreements been bargained some places and not others, and What is the experience under them? Our primary focus will be on the latter of these questions, and indeed, if systematic data collection on the agreements we have identified confirms an emerging impression that companies routinely violate them, this will likely go a long way toward explaining why the labor movement has not pushed harder to bargain for them. Such a conclusion is premature at this stage, however.

Endnotes

[1] The agreement actually calls for Levi and UNITE (actually ACTWU at the time it was bargained) "to take affirmative steps, within legal parameters, to increase membership at ACTWU locations." Further, ACTWU is, according to the agreement, to participate in the "joint redesign of work processes" at nonunion facilities and that participation is to be communicated to the workforce which is expected at some point "to decide whether they want to become an ACTWU local union."

[2] More recently, several of the construction trades have shifted their organizing strategy, having union members apply for nonunion jobs and then organizing "from within." Given the importance of double-breasting as a union avoidance technique in the construction industry, the emerging tactic of pursuing agreements with employers not to double-breast may be the functional equivalent to the neutrality agreement in this sector.

[3] The size of the growth in membership from 1985 to 1995 for the unions without neutrality is a product of a sharp increase for one union, MEBA. Nonetheless, several of these unions did report smaller increases in membership during this period.

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V. INTERNATIONAL PERSPECTIVES ON YOUTH EMPLOYMENT AND UNEMPLOYMENT

Youth Employment in the U.S. and West Germany, 1984-91

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During the last fifteen years, the labor market prospects facing less educated young workers in the United States have seriously deteriorated as part of a dramatic trend toward widening wage inequality (Katz and Murphy 1992). Perhaps as a result of their falling real wages, the employment rates of young men and women with low levels of education have fallen relative to their more highly educated counterparts. For women, this has meant slower increases in participation for the less educated, but for less educated young men, significant declines in employment rates have occurred (Blau 1996; Juhn 1992). In contrast to the poor and declining prospects of many, especially less educated, U.S. youth, young workers in Germany appear to be well prepared for the labor market and to have better labor market outcomes. German youth typically have lower relative unemployment rates than those in the U.S. Further, both low-skilled workers and young workers in Germany were spared the declining relative and absolute real wages that afflicted those in the U.S. and several other OECD countries in the 1980s (Abraham and Houseman 1995).

In this paper we examine differences between the U.S. and W. Germany in employment outcomes of young workers over the 1984-91 period.

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In light of the employment problems of less educated youth in the U.S., we place special emphasis on how those with relatively low education levels perform in the labor market. We especially focus on less educated young women. Given the recent U.S. welfare reform legislation, this group will be increasingly dependent on their own employment and earnings prospects. We use nationally representative data bases for each country which allow us to measure young workers' employment outcomes and also permit comparisons across age groups: the German Socioeconomic Panel (GSOEP) for Germany and the Current Population Survey (CPS) for the U.S.

There are several ways in which German society is structured to ensure relatively good outcomes for those at the bottom. For example, the vast majority of youth participate in Germany's vocational training system, although women do not participate to the same extent as men (Buechtemann et al. 1993). In the U.S. there is no corresponding training system on a large scale that imparts skills to workers at the lower end of the educational distribution. However, not everyone in Germany completes an apprenticeship. In this paper we emphasize a comparison of German youth who are left out of that system with a group in the U.S. that is also left out—high school dropouts.

Even for the group of Germans who drop out of the apprentice training system, institutions exist to improve labor market outcomes. First, the German educational system appears to provide better basic skills than the American system at the bottom of the distribution of academic achievement (Nickell and Bell 1996). Second, German wage-setting institutions disproportionately raise the wages of the low skilled. The U.S. labor market is largely nonunion, while wages in Germany are set in industrywide contracts that are extended by law to (or in almost all cases imitated by) the nonunion sector. In addition, the U.S. minimum wage is low by international standards and has generally been declining in real terms since the late 1970s (*EIRR* 1992). Thus we expect German wage-setting institutions to disproportionately raise the pay of young, less educated workers. While there may be negative employment effects of high administered wages, a third aspect of the German system can potentially cushion this effect. Germany has a larger public sector than the U.S., and government employment can be a mechanism for reducing potential adverse employment effects of administered wages (Björklund and Freeman 1994; Kahn 1996). Finally, the U.S. welfare system places a particularly strong penalty on work for low income, single mothers, implying some negative employment effects for low-skilled women in the U.S. compared to Germany which might help explain the U.S.-German difference.

Employment and Wage Patterns among German and American Youth

To examine employment outcomes for youth, we use the 1984 and 1991 waves of the GSOEP and the CPS for the same years. We use the 1984 wave of the GSOEP because it has the largest sample size and is not affected by attrition. It is a nationally representative sample of the population living in West Germany, including West Berlin, in that year. We use data only on Germans from the GSOEP, since education and training information is less detailed for immigrants. However, in our longer paper (Blau and Kahn 1996a) we also present some findings for immigrants that suggest focusing on Germans gives an accurate picture of the labor market for less skilled youth in the country. The CPS is a representative sample of the U.S. population (Katz and Murphy 1992). We define "young" as age 18-29, a relatively inclusive definition. We do this in part for reasons of sample size and in part because in Germany schooling and formal training usually continue into the middle-to-late twenties (Buechtemann, Schupp, and Soloff 1993). By extending our age cutoff to 29, we thus increase the chances of observing the school-to-work transition. In view of the important changes in the labor market in the U.S. and other countries in the 1980s, we examine 1991 as well.

Our major focus is on gender and the labor market for young, hard-to-employ youth in W. Germany and the U.S. Since in each country the less educated are the hardest to employ, comparing the two countries requires a standardized definition of education. For the U.S., a measure of years of formal schooling completed is readily available in the CPS. However, since classroom, vocationally related training is far more important in Germany than in the U.S., it would be desirable to take into account both academic and vocational schooling in creating a comparable years of schooling measure for Germany. Krueger and Pischke (1995) have created a mapping from the GSOEP's education and training measures into a years-of-school variable, and we use their scheme here.

Based on the German and U.S. measures of years of schooling, we create three education groups for each country that comprise roughly the same proportions of the nonenrolled population in each country. We thus account for differences between the two countries in average years of schooling completed. The categories are EDLOW, EDMID, and EDHIGH, respectively, referring to low, middle, and high education groups. For the U.S., the groups are EDLOW, less than 12 years; EDMID, 12-15 years; and EDHIGH, 16 or more years. For Germany, the groups are EDLOW, 9-10 years; EDMID, 11-12 years; EDHIGH, over 12 years.[1] These education

groups comprise roughly similar percentages of out-of-school youth in the two countries. For example, the EDLOW group in 1991 includes 19% of young German and 18-20% of young American men and women not currently in school. For both countries, the EDLOW category corresponds to an identifiable group who comprise the hard to employ. In W. Germany, individuals in that category had completed at most only basic secondary education and had no formal degrees from a high school (gymnasium), university, college, or any vocational school. This group is outside the system of formal certification. In the U.S., those in the EDLOW category had less than a high school education, which surely places them at great risk of severe difficulties in the labor market.

Table 1 shows employment attachment for the three education groups in each country. The most striking pattern is the relatively low employment rate of young, less educated Americans, particularly women, in comparison to their German counterparts. In 1984 the employment rate of 18-29-year-old women in the EDLOW group was only 35% in the U.S., and their full-time employment rate (i.e., percent of the out-of-school population with full-time jobs) only 21%, in comparison to rates of 55% and 43%, respectively, in Germany. This difference continued to hold in 1991 when the employment and full-time rates for this group were 38% and 23% in the U.S., compared to 57% and 42% in Germany. Young, less educated American men were also less likely to be employed or fully employed than Germans, particularly in 1991 but also in 1984. The differences between the U.S. and Germany for young, less educated women are particularly noteworthy, since among the other education groups, young Americans are at least as employable and often more so than Germans. And in our longer paper, we show that among the less educated population as a whole (EDLOW for 18-65 year olds), American women fared much better than among youth (Blau and Kahn 1996a).

We now consider the earnings of youth. Earnings are of course important in and of themselves as an indicator of economic well-being. In addition, an analysis of earnings may provide some evidence regarding the reasons for the low labor market attachment of young, less educated American women detailed above. For example, if these workers have particularly poor labor market opportunities (i.e., low wages), then movements along a supply curve would be a possible explanation for their low attachment to the labor force.

To analyze wages, we focus on those who are not currently self-employed and who did not have any self-employment income during the previous year. In both the GSOEP and the CPS, it is possible to compute average monthly wage and salary income over the previous year, including

TABLE 1

Employment Measures by Selected Education Group, Individuals Age 18-29, 1984 and 1991*

		EDLOW		EDMID		EDHIGH	
		Employed	Fulltime	Employed	Fulltime	Employed	Fulltime
Germany (GSOEP)							
1984	Men	0.750	0.684	0.900	0.803	0.905	0.762
	Women	0.553	0.427	0.664	0.575	0.782	0.618
1991	Men	0.899	0.798	0.947	0.840	1.000	0.911
	Women	0.571	0.417	0.735	0.591	0.841	0.756
United States (CPS)							
1984	Men	0.687	0.545	0.855	0.686	0.936	0.806
	Women	0.353	0.210	0.678	0.472	0.867	0.704
1991	Men	0.696	0.564	0.861	0.742	0.950	0.856
	Women	0.375	0.232	0.720	0.520	0.888	0.745
United States/Germany							
1984	Men	0.916	0.797	0.950	0.854	1.034	1.058
	Women	0.638	0.492	1.021	0.821	1.109	1.139
1991	Men	0.774	0.707	0.909	0.883	0.950	0.940
	Women	0.657	0.556	0.980	0.880	1.056	0.985

*Includes only those out of school. Employment is as of the survey date. Full-time employment is usual weekly hours at least 35 per week on current job (Germany) or in previous year (U.S.).

wages and salaries as well as bonuses. Thus earnings for the 1984 and 1991 samples refer to 1983 and 1990. Unfortunately, it is not possible in the GSOEP to calculate hourly earnings since we lack information on weeks worked. However, there is information on hours worked per week in both data sets. We use this information to simulate hours-corrected earnings as follows. Suppose that for each country and year we can express log monthly earnings of person i:

$$(1) \qquad \ln Y_i = a_1 PART_i + a_2 HRPART_i + a_3 HRFULL_i + B' X_i + u_i,$$

where Y is monthly labor income in 1983 U.S. dollars for both countries,[2] PART is a dummy variable for part-time workers (defined as working less than 35 hours per week), HRPART and HRFULL are interactions of work hours with part-time and full-time employment, X is a vector of explanatory variables, and u is a disturbance term. The following variables are included in X: age and its square, marital status (MAR), presence of children (CHILDYES), the educational dummies (EDLOW and EDMID), and for the U.S., a race dummy variable for whites (WHITE). We include controls for marital status and especially children to pick up some of the effects of workforce interruptions for women associated with these events (e.g., Waldfogel 1994). Equation (1) is estimated separately for men and women.

We then simulate full-time earnings for each individual as follows:

$$(2) \qquad \ln YFULL_i = \ln Y_i - a_1 PART_i - a_2 HRPART_i - a_3 (HRFULL_i - 40).$$

Equation (2) estimates what one's monthly earnings would have been had one worked 40 hours per week.

Table 2 presents log real hours-corrected monthly earnings in 1983 U.S. dollars for both countries, by age-gender-education group for 1984 and 1991. Focusing on the 18-29-year-old group with low education levels, one sees that among both men and women, Germans outearned Americans. In 1984, the German advantage was 11% to 15% and grew to 27% and to 36% by 1991.[3] In American purchasing power, real wages of less educated German youth rose 9%-13% between 1984 and 1991, while they fell by 7%-8% for American youth over this period. Although American youth with middle levels of education also lost ground to inflation, and relative to Germans, they were closer to the Germans' level of purchasing power than American less educated workers. Finally, among highly educated youth, Americans started with a small advantage over Germans (1% to 4%) in 1984 that widened to 22% then to 24% by 1991. These changes in the relative purchasing power of high and low education groups illustrate the considerably greater widening of the American wage distribution in the 1980s compared to Germany (Abraham and Houseman 1995).

TABLE 2

Log Real Hours-corrected Earnings by Gender-Education Group for Workers Age 18-29, W. Germany and U.S., 1984 and 1991, in 1983 U.S. Purchasing Power Equivalent Dollars*

	EDLOW		EDMID		EDHIGH		All	
	1984	1991	1984	1991	1984	1991	1984	1991
Men								
Germany (GSOEP)	6.834	6.926	7.001	7.062	7.305	7.150	7.018	7.056
United States (CPS)	6.724	6.652	7.020	6.940	7.316	7.347	7.020	6.963
U.S.-German Difference	-0.110	-0.274	0.019	-0.122	0.011	0.197	0.002	-0.093
Women								
Germany (GSOEP)	6.654	6.780	6.746	6.868	7.031	6.990	6.772	6.877
United States (CPS)	6.504	6.423	6.768	6.752	7.075	7.213	6.801	6.820
U.S.-German Difference	-0.150	-0.357	0.022	-0.116	0.044	0.223	0.029	-0.057

*For construction of hours-corrected earnings, see text.

Explanations for the Low Labor Market Attachment of Less Educated American Youth

At least two features of German and American government policy noted above may help to explain Germany's relatively high youth employment rates which occur despite its system of relatively high administered wages. First, Germany has a larger public sector and may use it to provide employment for those who would otherwise be out of work. Second, for women, the U.S. welfare system, for which the less educated are most likely to qualify, strongly penalizes market work. We now summarize results from our longer paper which shed light on these possible explanations for German-U.S. differences in employment outcomes below.

We conclude that the welfare system is not likely to be an important part of the explanation for the differences in labor market attachment between young German and young American less educated women. Welfare may have some negative effect on American women, since we find that in the U.S., less educated, young unmarried women with children (the group most likely to be eligible for welfare benefits) have very low absolute and relative (to other education groups) labor market attachment in comparison to Germany. And the incidence of single parenthood is much larger among less educated, young women in the U.S. than in Germany. However, previous research does not indicate a strong effect of welfare on fertility in the U.S. (Ellwood and Bane 1985). Moreover, we find that even if U.S. women had the same shares in each family status group as Germans do (i.e., married with children, married without children, etc.), the gap in employment rates would still be about as large as shown in Table 1. Finally, less educated American women are considerably less likely than German women to be employed even in groups that are largely ineligible for welfare in the U.S. (i.e., married and unmarried women without children). Thus we believe that welfare cannot explain the patterns we have uncovered.

To assess the potential size of the effect of government employment in causing young, less educated Germans' greater labor market attachment, consider the following data on the fraction of the *population* of less educated youth having government jobs: for 1984 we have 11.9% for German men and 3.4% for U.S. men, and for women 12.1% (Germany) and 1.5% (U.S.) of the population had government jobs. In 1991, the German-U.S. differences are even more dramatic: 17.0% (German men), 1.9% (American men), 15.2% (German women), and 1.4% (women in the U.S.). The U.S.-German differences are large compared to the overall differences in employment-to-population ratios shown in Table 1: the percentage point gap in government employment relative to population between the two countries is 9 to 15 points for men and 11 to 14 points for women, while

the German-U.S. differences in employment-to-population ratios are about 20 percentage points for women and range from 6 to 20 points for men. Of course, each government job may not add a total of one net new job for the population, but these patterns imply that government employment has a potentially important effect in increasing the employment rates of young, less educated Germans compared to those in the United States.

Conclusions

The sharply higher real wages, labor market attachment, and incidence of government employment among young less skilled Germans than Americans are consistent with the following scenario. German unions negotiate high wage floors, having a relatively large positive effect on wages of the low skilled. Government acts as an employer of last resort and provides jobs for the additional workers looking for employment as a result of the high wages. This latter group includes those disemployed by the wage floors and those brought into the labor market by the prospect of high wages. An important question in interpreting our U.S.-German comparisons is the degree to which this scenario can account for the employment rate differences. In particular, given American labor supply elasticities, could German-level real wages, coupled with government jobs for those not able to find private sector work, entice enough Americans into the labor force to bring the employment to population ratio to the German level?

In our longer paper, we use existing evidence on the wage elasticity of labor force participation among men and women in combination with the German-U.S. wage differentials among low-skilled workers as shown in Table 2 to answer this question. We find that simulating the effects of equalizing German and U.S. real wages among young workers with low-education levels imply that in 1991, for low-skill young women, the high wage-public employment demand response scenario appears to account for all of the German-U.S. difference in labor market attachment among young less skilled women. But for women in 1984 and men in both years, something more is needed to explain German low-skill youth's greater employment attachment compared to those in the U.S. We believe that in addition to high wages and government jobs, Germany's low relative youth unemployment rates, which may themselves be lowered by government employment, might also contribute to the necessary labor supply response.

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Endnotes

[1] For Germany, we include those with an Arbitur degree only (i.e., with no post-secondary schooling) in the middle education group, even though Krueger and Pischke (1995) coded an Arbitur as requiring 13 years of schooling. Our decision was based on our impression that these people, who comprised only about 1% of the sample, were more similar in their employment experience to the middle than the high-education group. Because the group is so small, this coding did not affect our results.

[2] This is obtained using the OECD's (1996) index of purchasing power parity (German marks per U.S. dollar) for 1983 and 1990, and the U.S. consumer price index as deflator.

[3] The percentage differences cited in the text are approximations based on the differences in the logs.

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Recent Trends in the Economic Status of North American Youth

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Since the early 1980s labor market conditions in Canada have fallen short of those in the United States. The relative deterioration of the Canadian labor market is all the more remarkable in light of the very similar unemployment rates that prevailed in the two countries prior to 1980 (Card and Riddell 1993). Among youth, who traditionally bear more of the burden of any labor market slack, the situation has paralleled that in the adult labor market, with an unemployment rate that is roughly four percentage points higher and an employment-population rate that is four percentage points lower in Canada than in the United States in 1995.

Although Canadian youth have faced a relatively unfavorable labor market over the past fifteen years, labor market status is a very incomplete measure of individual well-being for youth. In this paper we offer a broader picture of the evolution of youth outcomes in the U.S. and Canada. A key finding is that extra-market phenomena—in particular the widening "family safety net" in Canada and rising single headship in the U.S.—have helped to break the link between youth labor market outcomes and other measures of youth welfare. A second finding is that school enrollment rates, which were traditionally higher in the U.S. than Canada, are now significantly higher in Canada. There is some evidence that relative changes in living arrangements and school attendance are in part a reaction to the depressed labor market conditions in Canada.

Trends in the Economic Well-Being of Youth

Table 1 provides a very brief overview of relative trends in labor market outcomes for young workers and all workers in the U.S. and Canada since 1980. The first column presents an important piece of background information: the relative fraction of young workers in the populations of the two countries. In both the U.S. and Canada the aging of the baby boom caused

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TABLE 1
Labor Market Outcomes in the U.S. and Canada

	Youth Population Share	Employment-Population All	Employment-Population Youth	Unemployment All	Unemployment Youth
A. United States					
1980	0.23	59.2	58.7	7.1	13.8
1995	0.16	62.9	58.3	5.6	12.1
B. Canada					
1980	0.26	59.7	59.0	7.5	13.1
1995	0.17	58.7	52.5	9.5	15.6
C. Change 1980-1995, Canada-U.S.					
	-0.02	-4.7	-6.1	3.5	4.2

Note: Based on published tabulations from the CPS (U.S.) and LFS (Canada). Data pertain to the civilian population. In the U.S., youth are age 16-24; in Canada, youth include ages 15-24.

the youth share of the population to peak around 1980. Since then, the relative fraction of youth has fallen in both countries, with a slightly bigger decline in Canada. Although one might have expected this supply contraction to lead to an improvement in youth labor market outcomes, no such change occurred. In the U.S. the employment-population and unemployment rates of youth were stable between 1980 and 1995, in contrast to a modest rise in the overall employment rate and a fall in the overall unemployment rate.

Comparing Canada to the U.S., one is struck by the similarity of labor market outcomes in the two countries in 1980. Since then, however, employment has fallen in Canada relative to the U.S., while unemployment has risen. The timing of the U.S.-Canada divergence is different for unemployment than employment, with much of the unemployment gap appearing in the early 1980s and much of the gap in employment only emerging in the 1990s. Nevertheless, throughout most of the past fifteen years, overall and youth employment rates have been lower in Canada than the U.S., while overall and youth unemployment rates have been higher.

The Relative Income Position of Youth

Despite the downward drift in the relative labor market status of Canadian youth since 1980, their relative family income status shows a different trend. Table 2 presents the fractions of individuals age 16-24 in the U.S. and Canada in each of the quartiles of the adjusted family income distribution in 1980 and 1993. We show the distributions for all youth and separately for

youth who live with their parents and away from their parents. In constructing these tables, we use total cash income divided by the family poverty threshold as a measure of adjusted family income. We include individuals who live alone as families of size one in all our tabulations.

TABLE 2
Effect of Living Arrangement Status on the Fraction of Youth by Quartile of Adjusted Family Income Distribution

A. Fraction of Youth by Quartile: United States

	1980			1993			1993 with 1980 weights
	Live alone	Live with parents	All	Live alone	Live with parents	All	All
Bottom 1/4	37.9	23.4	28.5	54.7	22.5	33.9	33.8
2nd quartile	30.4	23.5	25.9	27.8	24.5	25.6	25.6
3rd quartile	21.7	27.9	25.8	13.2	26.9	22.1	22.1
top quartile	10.0	25.1	19.8	4.3	26.1	18.4	18.5
Fraction of Youth:	35.0	65.0	100.0	35.4	64.6	100.0	100.0

B. Fraction of Youth by Quartile: Canada

	1980			1993			1993 with 1980 weights
	Live alone	Live with parents	All	Live alone	Live with parents	All	All
Bottom 1/4	36.8	18.2	24.1	49.9	16.5	26.4	29.6
2nd quartile	27.2	24.8	25.7	24.6	23.9	24.1	24.2
3rd quartile	22.1	28.6	26.7	15.1	30.4	25.8	24.4
top quartile	14.0	28.4	23.5	10.4	29.3	23.7	21.8
Fraction of Youth:	39.4	60.6	100.0	29.7	70.3	100.0	100.0

Note: U.S. data based on the March CPS. Canadian data based on the Census (1980) and the Survey of Consumer Finances (1993). The category "live alone" includes all youth who do not live with their parents. The last column of the table (overall 1993 distribution with 1980 weights) indicates the distribution that would have prevailed in 1993 if the fraction of youth living with their parents had remained as in 1980.

Between 1980 and 1993 the relative income position of U.S. youth deteriorated sharply. Whereas 28.5% of all youth lived in families in the bottom quartile of the adjusted family income distribution in 1980, by 1993 this fraction had risen to 33.9%. The trend in Canada was in the same direction, but much weaker. Comparisons of the relative income status of youth who live on their own and with their parents show that in both countries the rise in the fraction of youth in the bottom quartile was confined to youth who

live on their own. In Canada, however, the trend toward lower relative family income among youth living on their own was mitigated by a reduction in the fraction of youth living on their own, while in the U.S. the fraction of youth living on their own was virtually constant. The effect of this relative shift in living arrangements is illustrated in the right-hand column of Table 2, where we show the relative income distribution that would have occurred in 1993 *if* the fraction of youth living with their parents had remained constant. For U.S. youth this counterfactual distribution is virtually the same as the actual 1993 distribution. For Canadian youth the counterfactual raises the fraction of youth in the bottom quartile by 3.5 percentage points. Thus if living arrangements had not changed in Canada, the fraction of youth in the lowest income quartile would have risen by about as much as in the U.S.

In Card and Lemieux (1996) we explore explanations for the relative decline in family income status of youth living on their own in the U.S. and Canada. Comparisons of annual earnings for workers in the two countries show parallel increases in the fractions of youth at the bottom of the earnings distribution. For example, between 1980 and 1993 the fraction of young men with earnings in the bottom quarter of the male earnings distribution rose from 60% to 68% in both Canada and the U.S. Similar relative shifts occurred for young women. Since the family income status of youth who live on their own is largely determined by their own earnings, and/or the earnings of a young spouse, the decline in the family income position of youth who live outside their parents' homes is explained by rising earnings inequality between younger and older workers in the two countries. In Canada the decline in youth relative earnings was counteracted by a move back home, dampening the effect on the relative family income of youth as a whole. The relative expansion of the *family* safety net for Canadian youth is potentially surprising, given the much wider *public* safety net in Canada (see, e.g., Blank and Hanratty 1993). There is certainly no indication that broader public safety net programs in Canada have "crowded out" the role of families in coping with adverse economic conditions.

Living Arrangements by Gender and Age

In light of the obvious importance of living arrangements in determining the economic well-being of youth, Table 3 presents more detailed tabulations by age and gender. A key feature of the table is the distinction between men and women. Young women in both countries are much less likely to live with their parents than young men. In part, this reflects the accelerated age of marriage for women, although young women are also more likely to live alone and to live as single heads than young men. (Single parents who live with one or both of their own parents are not counted as

single household heads.) The relative rise in the fraction of Canadian youth living with their parents is also bigger for women than men. Indeed, while young Canadian women moved back home over the 1980s, U.S. women actually moved out.

TABLE 3
Living Arrangements of Youth in Canada and the United States

A. Men

	United States				Canada			
	Age 16-19		Age 20-24		Age 16-19		Age 20-24	
	1981	1994	1981	1994	1981	1994	1981	1994
Living with parents	94.3	93.4	52.0	57.0	89.9	94.6	49.5	62.5
Head or spouse of dual-headed family	1.6	1.1	25.1	16.8	1.5	0.9	27.4	14.0
Head of single-head family	0.4	0.5	1.8	3.3	0.0	0.0	0.2	0.1
Living alone	3.7	5.0	21.1	23.0	8.6	4.5	23.0	23.5
Fraction of Youth	44.3	43.7	55.7	56.3	44.8	43.8	55.2	56.2

B. Women

	United States				Canada			
	Age 16-19		Age 20-24		Age 16-19		Age 20-24	
	1981	1994	1981	1994	1981	1994	1981	1994
Living with parents	86.7	82.9	38.3	36.6	82.6	86.9	30.8	46.1
Head or spouse of dual-headed family	7.1	3.8	38.8	28.1	7.5	3.6	46.4	28.2
Head of single-head family	1.0	6.8	6.4	15.6	0.6	1.2	3.4	4.5
Living alone	5.2	6.5	16.5	19.7	9.2	8.4	19.4	21.2
Fraction of Youth	42.6	42.6	57.4	57.4	44.2	43.4	55.8	56.6

Notes: U.S. data based on the March CPS. Canadian data based on the Census (1981) and the Survey of Consumer Finances (1994).

Part of the gap between the fractions of young women living with their parents in Canada and the U.S. is associated with the higher rate of single female headship in the U.S. By their early 20s about 16% of American women support a household without a male head. Even restricting attention to whites, about 13% of U.S. women are single household heads by their early 20s, compared to a rate of only 4%-5% in Canada.

The relatively lower rate of single female headship in Canada also contributes to the slightly higher relative family income status of youth who live on their own in Canada than the U.S. (see Table 2). In both countries,

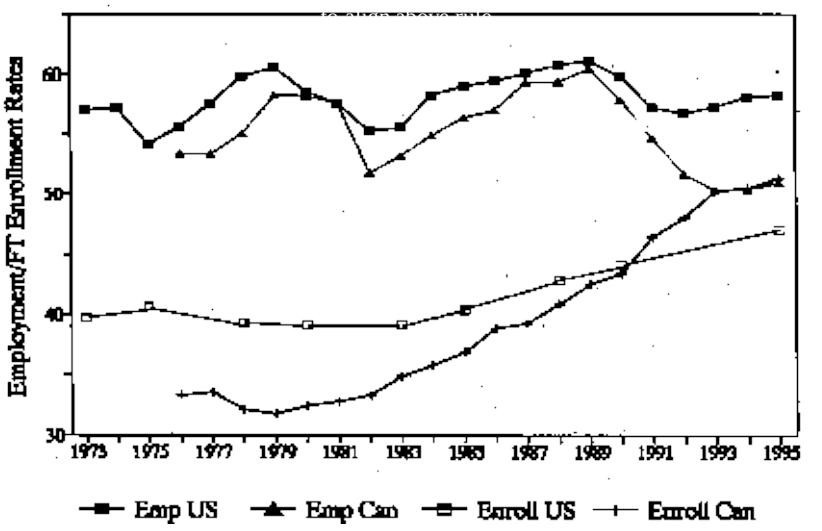
families headed by lone mothers are very likely to be poor (Blank and Hanratty 1992). Among lone mothers heading their own households in the U.S. in 1994, for example, 89% were in the lowest quartile of the adjusted family income distribution. The roughly 9 percentage point gap in the fraction of young women heading lone-parent households between the U.S. and Canada in 1994 thus accounts for some of the slightly better relative income status of youth living on their own in Canada.

School Enrollment

While economists' attention is traditionally directed toward the labor force activities of youth, school attendance is at least as important for many youth and perhaps more important as a long run outcome. Figure 1 presents some simple aggregate data on overall employment and full-time enrollment rates among youth in the U.S. and Canada. (These rates exclude individuals who attend college part-time.) In the early 1970s, full-time enrollment rates were 5-10 percentage points higher in the U.S. than in Canada. Throughout the 1980s, however, Canadian enrollment rates rose steadily, so that by 1990 the fraction of 16-24-year-olds enrolled full time in Canada actually surpassed the U.S. rate. This cross-over marks an historic turning point: throughout the 20th century the U.S. has had a much better-educated labor force than Canada. The data in Figure 1 suggest that the rankings will be reversed within the next twenty-five years.

FIGURE 1

Employment-Population Rate and Full-Time Enrollment Rate (October)



As with the rapid changes in living arrangements in Canada noted in Table 3, much of the relative rise in enrollment is attributable to the behavior of young women. For example, in 1981 the enrollment rate of 20-21-year-old women was about 30% in both the U.S. and Canada. By 1994 this rate was 46% in the U.S. and 52% in Canada: in both cases 4-5 percentage points *higher* than the corresponding enrollment rates for similar-aged men.

Are Choice of Living Arrangements and Schooling Driven by the Labor Market?

A natural question raised by the evolution of living arrangements and school enrollment in the U.S. and Canada is whether these changes have been driven by the relatively poor youth labor market in Canada. To address this question we fit a variety of simple models to regionally aggregated data for nine census divisions in the U.S. and six regions in Canada. The dependent variables in our analysis are the fractions of youth in single-year age ranges living with their parents or attending school. The key independent variable is a measure of the region-specific adult employment rate. We use data from 1970, 1980, 1990, and 1993, separately by gender.

Our findings (see Card and Lemieux 1996) show that external labor market conditions exert a fairly systematic effect on the living arrangements and school enrollment rates of young men. As one might expect, improved local labor market conditions are associated with a reduction in the fraction of young men who live with their parents and a reduction in the fraction who attend school. For young women, improved local labor market conditions are also associated with higher rates of leaving home but little change in school enrollment. The magnitudes of the coefficients suggest that the relative deterioration in the adult labor market in Canada between 1980 and 1993 can explain about 40% of the relative rise in the fraction of young men living with their parents over the past fifteen years, about 30% of the rise in the relative enrollment rate of Canadian men, and about 30% of the relative increase in the fraction of young Canadian women living with their parents.

The relatively poor Canadian labor market accounts for some of the divergence in living arrangements and school enrollment of youth in the U.S. and Canada. It would be interesting to investigate whether differences in government programs like subsidies to higher education and family allowances can explain the remaining differences between the two countries.

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VI. WORKS COUNCILS: BANE OR BOON FOR TRADE UNIONS?

Works Councils in the American System

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There is a broad consensus accepted by academics and given at least lip service by employers that workers should have a voice in those decisions of their employer that affect their working lives. For the workers, recognition of this democratic right is essential to asserting their dignity and individual worth and to giving workers a sense of belonging to a common enterprise with a stake and pride in the product of their labor. For the employer, worker participation provides a more satisfied and loyal workforce which recognizes its interest in and accepts its responsibility for the productivity and profitability of the enterprise.

One of the basic premises of the Wagner Act was to provide employees a measure of participation through collective bargaining by representatives of their own choosing. However, after more than sixty years, the statute has fallen far short of its goal. Collective agreements now cover only 12% of employed workers; 88% are without any representation or voice.

Statement of the Question

The question before us is how to provide representation for the unrepresented, how to provide voice to the voiceless. One solution proposed is the establishment of works councils, often undefined except for the unilluminating reference to "European style" works councils. The question is then raised whether such work councils can be engrafted onto our industrial relations system. The answer to this question is plainly, "No." None of the various forms of European worker representation can be transplanted

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intact because the collective bargaining systems in Europe are fundamentally different.

The relevant question is whether a works council system can be designed that will fit with and supplement our collective bargaining system. The European systems can provide helpful guides, but the design must be uniquely American.

Essential Elements of a Works Council

Time is not available to provide a blueprint or to explore possible alternative forms of participation. I can only outline, without elaboration or justification, some of the essential elements of a works council system that might hold promise of giving some voice to the voiceless in our industrial relations system.

Who Should Be Covered

The purpose is to provide representation to the unrepresented. Therefore the works council should include only those not represented by a majority union; collective bargaining units would be left undisturbed. But the council should cover all nonsupervisory employees in the establishment who are not represented by a union—blue collar, white collar, professional and administrative. Multiplant companies would have separate works councils in each plant, with a joint works council for the company.

Guarantee of Independence

The most fundamental element is that the council must be independent of employer pressure and influence and be seen by the employees to be independent. To achieve this, the following would be required as a minimum:

1. Council members must be elected by the employees without any interference or influence by the employer. Elections of council members should be subject to the same basic safeguards in the election of union officers established in Title IV of Landrum-Griffin, including Section 401(g) which prohibits an employer from promoting the candidacy of any candidate.

2. Council members need to be protected from any employer pressure or retaliation. Protection against discrimination under Section 8(a)(3) is not enough; proof of discrimination is too difficult and administrative procedures too slow. The employer should have the burden of proving good cause for any adverse action against a council member in an arbitration proceeding.

3. The works council must be guaranteed the resources needed to perform its functions. This would include time off for meetings with management, meetings with employees, handling grievances and internal discussions. The council should be provided office space and secretarial support and have the right to hold employee meetings on company premises. Most important, the council must have guaranteed financial support for organization and educational purposes and for hiring needed professional services and experts.

Functions of the Works Council

The function of the works council should be described as in the German Works Constitution Act: "The employer and the works council shall work together in a spirit of mutual trust . . . for the good of the employees and of the establishment." The process should not be described as collective bargaining but consultation for arriving at solutions that serve the parties' mutual interest. The employer's duty would be to "confer" or "consult," not "bargain," and the object would not be to reach a comprehensive written agreement but to resolve problems as they arose in a continuing process.

The subject matter for consultation should be broadly defined as "any matter which substantially affects the employees' working lives." Whether a subject is of substantial interest to the employees would depend only on their insistence on discussing it. There is no purpose in trying to draw a divisive line excluding some subjects from discussion as "management prerogatives," since the very purpose of employee participation is to make employees feel that they are partners, not adversaries, and have a stake in the enterprise.

Finally, the works council should have the authority and ability to aid employees in enforcing any statutory or other legal rights, including those arising from individual contracts of employment. Where consultations have resulted in establishment of any plant rules or benefits, whether stated in the form of employer policies or written agreements, these should be enforceable by the works council on behalf of the employees for whose benefit they are made as part of their contracts of employment. Disputes as to rights under the contract of employment should be settled by binding neutral arbitration, with the works council acting as the employee's representative.

The Right to Information

Constructive consultation requires that the works council have available all information relevant to their function. This must include information which will enable it to make responsible judgments of the enterprise's ability to bear the costs or burdens of potential solutions to problems. The

employees have as much concern as management with the continued viability of the enterprise, and for them to participate constructively in discussion, they must have the same information as management.

The scope of information required is indicated by the German Works Constitution Act. This includes giving information "in full and in good time" of plans concerning construction, alteration or extension of the plant, work processes or jobs; matters relating to manpower needs, staff movements and vocational training; financial matters such as the economic and financial situation of the company, the investment programs, plans for reduction of operations or plant closures and "any other circumstances and projects that may materially affect the interests of the employees."

Use of Economic Measures

Works councils should not be authorized to call strikes, nor should employers be allowed to order lockouts. This leaves the works council with no economic leverage and their employer free after consultation to take unilateral action. However, giving the works council authority to call a strike would recreate the adversarial attitude which establishment of works councils seeks to avoid. Employer unilateral action, if perceived by employees as unreasonable or repeated, would not be cost free. It would undermine the employees' loyalty and sense of common purpose which serve to increase productivity and profitability. If the employees concluded that the works council was ineffective, they would increasingly look to the alternative, a union and collective bargaining. Finally, the existing statutory right of two or more employees to engage in concerted action would continue, so dissatisfied employees could strike without the authorization or support of the works council.

Establishment of Works Councils

Works councils might be established in two ways. First, Section 8(a)(2) might be amended to permit employers who seriously desired a system of worker participation other than unions and collective bargaining to voluntarily establish an employee representation plan if it met minimum standards such as described here. I have discussed this possibility elsewhere. My major misgiving is that few employers would take advantage of this and most workers would be left without representation.

The alternative is to mandate works councils, providing by statute for their structure, functions, and powers in terms of minimum standards, with the works council (once established by agreement with the employer) free to elaborate and enlarge upon (by agreement with management).

Works councils should not be mandated for smaller employers, perhaps those with less than 25 employees. They should be established only on a petition by a limited number of employees, perhaps 10% of the employees to be represented. Again, those to be represented would be all of the non-supervisory employees not represented by a majority union.

Works Councils and Collective Bargaining

We must now confront the question whether such works councils can coexist with collective bargaining. The first reaction (and for many the last) is that it would be like trying to keep two bulls in the same pasture. A moment's reflection, however, dissolves most of the doubts.

If there is no majority union in the plant, there are no difficulties; the works council becomes the employees' representative, speaking for them on all matters within its functions. The fact that collective bargaining exists in other plants creates no friction or conflict. The two forms of collective representation can each function separately in its own sphere.

The existence of a works council would create no blockage to the union organizing a bargaining unit in an establishment with a works council. If the union won a majority in the bargaining unit, those employees would no longer be represented by the works council but be represented by the majority union. There will be no contract bar or certification bar to the union organizing and petitioning for an election at any time.

If there is a majority union and works council in the same plant, each will represent a separate group of employees. There may be friction between the two groups, and the presence of two groups gives the employer the potential to manipulate and play one against the other. Such a situation, however, is neither novel nor unmanageable. The situation is not significantly different from two different unions representing different bargaining units in the same plant. We have had sixty years of experience with managing multiple bargaining units, often represented by competing and hostile unions in the same plant.

I see no reason why the coexistence of a works council and a union in the same plant would cause more difficulties than the coexistence of two competing unions. Indeed, the friction might be less, for the works council may not be as aggressive in raiding the union nor as defensive in resisting expansion by the union as a competing union might be.

Impact on Union Organizing and Bargaining

The initial impact of mandating works councils would probably be to make union organizing more difficult, since workers would have available an alternative form of representation without the burden of dues or the

risk of strikes. This would be offset in some measure by employers' reduced resistance to unionization. The alternative for the employer would be a works council with its burden of support, wider range of subjects for consultation and extensive information requirement, not a "union-free environment" with uninhibited management control.

Over the long haul, many employees would come to realize that works councils, with no significant economic leverage or outside resources, were no full substitute for unions. At the same time, they would have heard the basic message that workers were entitled to a voice in their workplace and would have had at least a taste of that right. They would have experienced collective action, come to think of themselves as a group, and developed recognized leaders. If dissatisfied with the works council, they could, like steelworkers in the 1930s, move bodily to the union.

It must be remembered that there will be some union members among those represented by the works council, and they may be among those who push the petitions for establishment of the works council. The strong likelihood is that one or more of the elected council members will belong to the union since they will have an organizational base for their candidacy. This increases the potential for an ineffective works council to be largely displaced by union.

The impact on bargaining is difficult to foresee. The union's economic strength will not be measurably changed, and the employer's willingness and ability to resist union demands will stay substantially the same. However, the broad scope of consultation in the works council will push toward expanding the subjects of bargaining, and the works council's extended right to information will reduce the employer's resistance to giving the union the same information. Indeed, it will be difficult to prevent the union from obtaining it.

It might be hoped that the cooperative attitude contemplated in establishing works councils would ultimately carry over in some small measure to union management relations.

Prospects of Success

There is little prospect that works councils will be legally mandated in the foreseeable future; even voluntary works councils are not on the political horizon. If there were the political support for enacting a works council law, many employers would resist openly or by subterfuge given that they have flaunted the policy and provisions of the Wagner Act for sixty years. Works councils function best when employers accept that their employees as partners are entitled to a voice in decisions that affect their working lives and when employers recognize that giving their employees effective voice

can increase productivity and profitability. Works councils can serve some purpose—even with unwilling employers—and with experience could gain increased employer acceptance. But until employers genuinely accept that their employees are partners in the enterprise and that their participation is not only a right but a practical necessity, the works councils can have only limited success.

DISCUSSION

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In order to answer the question of whether works councils are bane or boon for trade unions adequately, there is need, it seems to me, to put forth a standard against which to measure the response. Let me suggest what seems to me to be a self-evident principle: In a democratic society no one should be subject to regulation without being represented in the making of those regulations. Indeed, regulation without representation is anathema to democracy and is the hallmark of all that is not democratic.

In our society a key regulatory forum is the workplace. The rules that regulate our access to and behavior at work determine to a very large degree not only our economic but also our social well-being. Therefore, it seems axiomatic to me that there is a need for a scheme that would make employee representation in key aspects of employment decision making a reality in all workplaces. Legislation requiring the establishment of works councils universally is one way to make that happen. However, I agree with Tom Kochan that if legislation requiring works councils is to have any chance at all, strong union support for that proposal will be necessary.

Dave Silberman provides us with a number of concerns that American unions have about works councils. They might be ineffective, they might be manipulated by employers, and they might materialize as competition for the unions for worker support. The German experience, so ably summarized by Manfred Weiss, suggests that those negative outcomes need not occur. German unions were initially very skeptical of and fearful about works councils. Today, however, German labor almost universally is supportive of works councils. Unions in other countries have had similar experiences, but would that happen in the United States? The answer, I think, is that it depends on the specific nature of the legislation and the way that the unions relate to it.

One very good reason for the unions to get behind a works council initiative has to do with winning the allegiance of young people. My experience as director of McMaster's Theme School on International Justice and Human Rights suggests that many young people today are looking for

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something to believe in, principled causes in which to become involved. Universal joint regulation is one such principle that might very well be able to excite the imagination and harness the energies of our youth. And if the American labor movement's revival is to gain momentum and be successful, attracting youth in large numbers to its fold will be necessary. I do not think that "more, more, more" is a motto likely to do that.

What would a works council regime consistent with a strong and vigorous union movement (and thus likely to win union support) look like? Contrary to Clyde Summers and to Tom Kochan, I do not think that councils should be voluntary. I believe that it would be best for all concerned if they were made universally mandatory as they are in Germany. If they are voluntary, large numbers of employers can be expected to oppose them strongly. On the other hand, if they are mandatory, it is very likely that employers will focus on adjusting to them. That is exactly what American employers in Europe are doing in the face of a new European Union works council requirement.

Nor should they be required only where unions are not recognized. Instead, where unions have recognition, they should have the authority to establish the councils. If German practice were emulated (and I think it would be a good idea to do that), then the councils would be given the legal power to force many issues (e.g., health and safety, training, employment equity, labor standards) to binding arbitration on an issue-by-issue and continuing basis should agreement with management prove impossible. Such a scheme would significantly enhance union power to be of service to members even where they were recognized. In companies with no certified unions, local unions could be established with a view toward running candidates for the councils. Winning control of councils would provide unions with an additional means (other than certification) to be a benefit to workers.

Can this scenario happen? I am often accused of putting forth impossible proposals of little practical merit. But what is impossible today may be the obvious tomorrow. The important thing is to be ready with sensible ideas when the opportunity to implement them occurs. Events of the past decade indicate clearly that circumstances can change radically, very quickly, and in unexpected ways. The collapse of communism in East and Central Europe is only one example of that truth. Nor is it necessary to wait for the proper conjuncture. The greater light that can be shed on the inadequacies of current practices and alternatives to them, the more likely they are eventually to be seen as undesirable and in need of change.

VII. WORK RESTRUCTURING AND WORK/FAMILY CONFLICT

Balancing Work and Family: Evidence from Surveys of Manufacturing Workers

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The growth of single-parent and dual-earner families and the increase in labor force participation of mothers of young children have made it increasingly difficult for employees to manage their work and family lives. Firms have begun responding to these changes with an array of family-friendly policies. Osterman (1995) found that a significant minority of firms have such programs. This paper adds to what is known about the family responsiveness of establishments by drawing on the responses of nearly 1,500 production workers to examine a set of informal work-family practices that affect the ability of employees to balance work and family concerns and the factors that contribute to workers' perceptions that their company helps them achieve this balance.

Methods

The data for this study come from an original survey of firms and workers in three industries—steel, apparel, and medical electronics and imaging that vary in terms of the characteristics of the workforce and technologies they employ. The plants that agreed to participate do not constitute a random sample of plants in these industries. A disproportionate number have taken steps to introduce high-performance workplace practices, although many are at a very early stage in this process.

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A major strength of this study is that it employs a multilevel design that combines (1) a site visit to the factory, (2) collection of plant performance data, (3) extensive interviews with managers (including the plant manager, division superintendents, human resource manager, training manager, and others), (4) interviews with union officials where appropriate, (5) and a survey of a random sample of about 100 workers at each plant (in large steel plants, about 100 each in the hot rolling mill and the finishing mill). Separate surveys are conducted of blue-collar workers in all three industries, of supervisors in steel and apparel, and of white-collar employees in medical electronics and imaging. When the study is completed, we will have approximately 4,000 responses from employees at about 40 plants. This paper is based on the responses of nearly 1,500 production workers at 19 plants—8 steel mills, 7 apparel plants, and 4 medical electronics or imaging facilities.

The employee and employer surveys are designed to examine the effects of high-performance workplace and human resource practices on the performance of plants and outcomes for workers. One unexpected worker outcome that emerged in the pilot for this project is that workers in high-performance work settings reported significantly higher levels of job-related stress than other workers (Berg et al. 1996). We also found, to our surprise, that high-performance practices did not increase the organizational commitment of workers. Accordingly, we expanded the battery of stress questions and added questions on work-family practices to the employee surveys in order to examine whether these practices reduced stress and/or increased the organizational commitment of employees.

Worker Sample

The results reported in this paper are based on an analysis of the survey of production workers in the three industries. The sample is 44% female, 78% white, and 79% married or in a marriage-like relationship. On average, there are 1.8 adult workers in a household and 0.9 children 18 years of age or younger. The average respondent is 43 years old and has worked 12.7 years for their current employer. Only 5% have a college degree, 25% have some technical or college education beyond high school, 53% have a high school degree only, and 16% have less than a high school degree. The industry breakdown of the workers is 50% are in steel, 40% in apparel, and 10% in medical electronics and imaging; 57% are covered by a union contract.

Work-Family Variables

Family-friendly benefits typically include health insurance, pension, life insurance, vacation leave, sick leave, parental/maternity leave, child care

benefits, parenting workshops or counseling, and company picnics (Grover and Crooker 1995; Osterman 1995). Formal benefits could not be included in the analysis because there is little variation in benefits among plants within an industry. We obtained information from the worker survey on four informal work-family practices. These are the extent (1 = not at all, 2 = to a small extent, 3 = to some extent, 4 = to a great extent) to which (a) your supervisor is understanding if you occasionally need to be late or leave early to take care of family or personal matters, (b) you are required to work overtime when you don't want to, (c) your company provides child care location and referral services to workers who need it (recoded 1 if any level of services are provided, 0 if not at all), and (d) all in all, your company helps workers to achieve a balance between their work and family responsibilities. Despite the fact that managers at all but one plant reported the plant provides no child care support services, 19% of workers reported getting some child care help.

Means for these variables by industry and by gender are reported in Table 1. We find no difference between men and women in the extent to which supervisors are understanding or the company helps workers balance work and family responsibilities. Men are more likely to be required to work involuntary overtime due to significantly higher involuntary overtime in steel. Men in this sample are also more likely than women to get child care help due, perhaps, to the employee assistance programs at the steel mills.

TABLE 1

Means of Informal Work-Family Practices by Industry and Gender

Variable	Steel	Apparel	Medical Electronics and Imaging	Female	Male
Balance work and family	2.12	2.14	2.54[b,c]	2.15	2.19
Understanding supervisor	3.41	3.47	3.65[b,c]	3.45	3.47
Involuntary overtime	2.56[b,c]	2.16	2.08	2.19	2.47[d]
Child care help	0.25[a]	0.14	0.18[c]	0.12	0.26[d]
N	727	591	139	642	815

[a] Steel significantly different from apparel at 5% level of significance.

[b] Steel significantly different from medical electronics and imaging at 5% level of significance.

[c] Apparel significantly different from medical electronics at 5% level of significance.

[d] Female significantly different from male at 5% level of significance.

Other Variables

The dependent variable in the analysis reported here is the extent to which the company helps workers balance work and family. Space precludes a discussion of all of the independent variables. A complete list is available from the authors, but a few variables deserve comment.

Self-directed teams. The proportion of workers reporting that they work in self-directed teams, 61%, is much higher than expected on the basis of the manager interviews. This is particularly true in steel. The worker survey includes a battery of questions that will allow the researchers to make an independent judgment about whether the work groups are, indeed, self-directed teams.

Indexes used in the analysis. Indexes measuring participation in quality improvement, problem solving, and other committees or task forces (off-line participation), communication, and skills-creativity-challenge were created. Cronbach's Alpha for each is, respectively, 0.78, 0.67, and 0.77.

Results

Table 2 reports the results of ordered logits that analyze the factors that affect workers' perceptions of the extent to which the company helps them balance work and family responsibilities. Specification (1) examines the effects of demographic characteristics and informal work-family practices on this balance. All three informal work-family practices behave as expected: an understanding supervisor and help with child care each increase workers' perceptions of the extent to which the company helps them achieve balance, while involuntary overtime decreases it. The effect of gender on work-family balance disappears when industry is included because of the sex-segregation of production workers in steel (93% male) and apparel (93% female) in this sample. Specification (2) examines the effects of work organization, worker participation, and HR practices (Appelbaum and Batt 1994) on employee perceptions of the extent to which the company helps them balance work and family concerns. First, we observe that key demographic variables—gender, marital status, dual earner household, children at home—do not affect the extent to which these production workers believe their company is helpful in balancing work and family responsibilities. Second, workers who are called on to teach and provide informal training, who expect to be promoted to supervisor, who think the company would go out of its way to avoid laying them off in a downturn, and who believe that relations between workers and managers are good (or, alternatively, that trust between workers and managers

TABLE 2
Balance between Work and Family Responsibilities

	Means	Obs.	(1)	(2)
Informal Work-Family Practices				
Understanding supervisor	3.46	1448	0.786***	0.542***
			(9.90)	(5.94)
Involuntary overtime	2.35	1449	-0.169***	-0.199***
			(-3.13)	(-3.34)
Child care help	0.20	1317	0.145***	0.188***
			(10.20)	(7.76)
Demographic Characteristics				
Female	0.44	1457	0.087	0.833
			(0.45)	(0.40)
Age	43.02	1452	-0.001	0.005
			(-0.10)	(0.75)
White	0.78	1448		
Black	0.11	1448	0.408**	0.653***
			(2.32)	(3.40)
Hispanic	0.05	1448	0.166	0.208
			(0.62)	(0.68)
Other race	0.06	1448	0.454*	0.584***
			(1.91)	(2.12)
Marital status	0.79	1453	-0.165	-0.145
			(-1.14)	(-0.92)
Dual earner	1.84	1449	-0.001	0.032
			(-0.02)	(0.43)
Children under 18	0.92	1449	-0.053	-0.055
			(-1.00)	(-0.96)
Less than HS degree	0.16	1446	0.040	-0.162
			(0.26)	(-0.93)
High school grad	0.53	1446		
Some college	0.25	1446	-0.240*	-0.133
			(-1.78)	(-0.92)
College degree or more	0.05	1446	-0.111	-0.108
			(-0.45)	(-0.40)
Tenure	12.67	1453	-0.008	-0.000
			(-1.22)	(-0.06)
Work Organization				
Self-directed work teams	0.61	1451		0.061
				(0.47)
Off-line participation	0.51	1457		-0.120
				(-0.94)
Communications index	11.99	1420		0.007
				(0.42)
Job Design				
Decisions about job tasks	2.56	1447		0.091
				(1.35)
Decisions about quality	2.44	1442		0.087
				(1.32)
Skills-creativity-challenge index	8.39	1446		0.150***
				(4.01)

TABLE 2 (*Continued*)
Balance between Work and Family Responsibilities

	Means	Obs.	(1)	(2)
Company's Commitment to Employees				
Training (classroom/one-on-one)	0.64	1457		-0.191
				(-1.47)
Employment security	1.94	1426		-0.249***
				(-3.74)
Advancement Opportunities				
Pay	2.33	1446		0.129***
				(2.18)
Promotion to supervisor	1.84	1449		-0.037
				(-0.54)
Satisfaction with pay	2.69	1448		0.291***
				(3.70)
Informal Training				
Learning	2.87	1452		0.147***
				(2.28)
Teaching	2.30	1453		-0.184*
				(-1.70)
Supervisors Treat Employees Fairly	3.24	1445		-0.036
				(-0.52)
Participation in Decisions				
Workers discuss major decisions	2.33	1442		0.060
				(1.01)
Workers not consulted about workplace changes	2.69	1448		-0.152***
				(-2.74)
Other Human Resource Practices				
Closely supervised	2.34	1456		0.057
				(1.10)
Company shares business information	2.43	1438		0.087
				(1.43)
Profit sharing	2.79	1434		-0.019
				(-0.54)
Employment Relations				
Worker/manager relations	2.01	1450		-0.103**
				(-1.92)
Co-worker relations	1.82	1452		0.017
				(0.30)
Union coverage	0.57	1447	-0.727***	-0.456**
			(-5.58)	(-2.95)
Industry				
Apparel	0.41	1457	-0.650***	-0.352
			(-2.63)	(-1.29)
Steel	0.50	1457	-0.228	-0.340*
			(-1.03)	(-1.28)
Medical electronics	0.10	1457		

TABLE 2 (*Continued*)
Balance between Work and Family Responsibilities

	Means	Obs.	(1)	(2)
N			1273	1163
Log likelihood			-1440.54	-1236.25

Source: Cross Industry Employee Survey

Note: z-statistics in parentheses

*** significant at the .01 level; ** significant at the .05 level; * significant at the .10 level

is high) appear to have the most difficulty balancing work and family. High commitment organizations increase the accountability of these workers and make the greatest demands on them. This appears to increase the difficulty they have balancing work and family responsibilities without a commensurate increase in the help they get from their employers in achieving this balance. Third, other characteristics of high-performance workplaces—participation in self-directed or problem-solving teams, involvement in decision making, responsibility for communication, participation in profit sharing—do not appear to make such demands on workers and do not adversely affect work-family balance. Fourth, not being consulted about workplace changes makes balancing work and family more difficult. Finally, paying workers for the additional responsibilities and demands that are made on them is an effective means for improving work-family balance. Workers who have opportunities to be promoted to better-paying jobs and those who are satisfied with the fairness of their pay report that their company helps workers balance work and family to a greater extent than do other workers.

Conclusion

The analysis of work-family policies reported here was motivated by two broad questions. First, do informal work-family practices of firms affect workers' perceptions of the extent to which their company helps employees balance the competing demands of work and family? Second, does the perception that the company provides this help increase the organizational commitment of workers, reduce their stress on the job, reduce the extent to which stress on the job spills over to their home life? For this sample of blue-collar production workers, the answer to all of these questions is a resounding yes. In work not reported here, we found that helping workers achieve this balance is effective for firms in increasing the organizational commitment of workers. Managers prefer committed employees because such workers have higher levels of effort and lower rates of

turnover and absenteeism; however, there may be negative side effects of high organizational commitment for workers, such as stress or family strains. We also found that work-family policies that help workers balance work and family responsibilities are effective for workers in reducing both job stress and work-related family strains.

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The Time Crunch and School Teachers

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The average American family is experiencing increasing demands both at home and at work. These demands are most obviously manifest in the "time squeeze" facing employees in dual-earner and single-parent families and with dependent children and elder care responsibilities (Schor 1991). In response to this problem, we are studying the ways in which families and organizations have dealt with the time squeeze. The research is designed to identify, on the one hand, patterns of family coping and choices of time arrangements which promote family well-being. On the other hand, the research is designed to identify policies and practices within work organizations which are both family-responsive and improve workplace performance. Findings from this research could inform families as well as policy-making bodies regarding time arrangements which enhance and protect the quality of family life while maintaining and advancing workplace performance. Here we report on the major issues involved in this study. We begin with a look at changes in the American family and workplace, then focus on the critical role of time arrangements, and finally we conclude with an explanation for our focus on primary public school teachers.

The New American Family and the New American Workplace

The American workforce has changed dramatically in recent years. For example, between 1982 and 1993, the number of women in the U.S. civilian labor force increased by 22.3%, while men only exhibited an 11.5% increase (Kutscher 1995:4). These changes in the workforce were linked to changes in the structure of the family, and particularly the emergence of dual-earner couples, the increase in the employment of mothers of young children, and a general rise in the proportion of the workforce responsible

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for dependent children or elders. For example, 67% of mothers of infants under three years of age were employed for pay by 1991 (Rubin and Riney 1994:26), while almost half of the entire workforce is responsible for dependent children or elder care (Bravo 1995:12), and dual-earner status is now the norm among families with children. For all of these reasons, the traditional view of the male American worker supporting a family with a full-time housewife is increasingly inaccurate.

The new American family is inherently problematic for employed family members. Part of the difficulty is that many good jobs in the economy have implicitly assumed the existence of a stay-at-home spouse who is always available for child care or elder care duties and can free the employee of domestic duties such as cooking, cleaning, shopping, or doing laundry. These positions are called *jobs with wives* (Albelda and Tilly 1994). The flip side of this coin is that good jobs historically paid a wage sufficient for a single earner—typically a father—to provide financially for an entire family. Such payments are called a *family wage.*

This system of *jobs with wives* paying a *family wage* required that employees' families exhibit a particular structure and that firms adhere to particular wage patterns. Both of these supports have largely disappeared. As noted above, the new American family does not typically include a non-waged partner. On the other side of the equation, in the American workplace, wages have been falling, with median hourly wages for all workers dropping from $10.75 per hour in 1973 to $9.95 in 1991, and this decline was even more severe for men (Mishel and Bernstein 1994:121).

The new American workplace put other pressures on employees in addition to those associated with reduced wages. During the 1980s, what began as a massive wave of plant shut-downs in manufacturing became a more general phenomenon, creating increasingly accurate worker perceptions of job insecurity even as unemployment fell (Farber 1993). In part, both wage reductions and job insecurity were due to intensified product market competition during the 1980s and 1990s. Relatedly, American corporations increasingly turned toward high-performance work systems which required increased commitment, involvement, and effort from employees (Appelbaum and Batt 1994; Drago 1996; Kochan, Katz and McKersie 1994).

The effects of high-performance work systems on the family life of employees is little discussed in the literature, but some evidence from the Saturn automobile factory is highly suggestive. Saturn is often touted as *the* premier example of a high-performance work system. Saturn also operates on three shifts and has a standard 50-hour work week for line employees, each of whom rotates through all three shifts over a matter of weeks. As

one Saturn employee states, "Since I'm a single person, it's all right—I can come home and go to sleep. But people with families—if I had a child I just couldn't go along with the rotating shifts" (Parker and Slaughter 1994:97). From both the work and family sides, employees are experiencing increasing pressures.

The Role of Time Arrangements

At the center of the pressures of both work and family on employees lies a plethora of issues covered under the work/family literature (e.g., Rosen 1991). If, however, one were to ask the average employee about how he or she deals with these pressures, the answer is likely to lie in the area of choices and constraints on time arrangements. As evidence of these shifting priorities and needs, leisure time declined by 162 hours per year for the average American between 1969 and 1987 (Schor 1991:35). Increasingly, American families view their problems in terms of the *time squeeze*.

We expect the time squeeze within families to be associated with two general results: productivity and performance shortfalls among employees in both their work and family roles and the development of work- and family-based strategies for families to help them cope with the time squeeze. Regarding performance declines, some supportive evidence for this conjecture exists. For example, absenteeism is generally higher among women than men, and this effect may largely be attributable to women's role as mothers (VandenHeuvel and Wooden 1995). Relatedly, the average employee with latchkey children misses thirteen days of work per year, compared to an average of nine days (Rosen 1991:269). On the home front, there is evidence of a shortfall of parental productivity as well; a recent study of a corporation's employees found that between the mid-1980s and the early 1990s, the average amount of time employees' children spent on chores rose from 4.2 to 6.6 hours per week, an increase of just under 60% (Googins, Griffin, and Casey 1995:2).

Regarding coping strategies, research suggests that families are indeed developing a variety of methods to handle the squeeze. As Pleck (1993) notes, men are now sharing more of the tasks associated with family life. Further, both men and women exhibit evidence of trying to adapt their jobs and working time arrangements to confront the time squeeze: an AT&T survey found 77% of women and 73% of men taking time off or away from work to spend with their children (Rosen 1991:269), while a survey of DuPont employees found 33% of men interested in part-time work to deal with child care and 48% of men wanting sick-leave policies which include time off to care for a sick child (Rosen 1991:272).

Surveys provide other indicators of the time squeeze as well. Bravo reports evidence from a 1980 Gallup poll showing that 54% of respondents identified flexible hours as their first priority, while an (admittedly nonrandom) 1983 *Better Homes and Gardens* reader survey found 66% of respondents wanting more flexible hours (1995:20).

If time arrangements are at the nexus of work and family, then we would expect those arrangements to alter outcomes for both work and family. These effects can have various patterns, of which we trace three here:

- Competing spheres. Time arrangements can confront or create a direct trade-off between time at work and time at home. Such competition involves a zero-sum game where one sphere wins at the expense of the other. Total paid work time and total leisure time are examples of competing spheres.
- Accommodating interface. Time arrangements at home and at work can enhance the ability of employees to meet home obligations, work commitments, or both, consistent with the possibility of a positive-sum game. Flextime, the integration of work and family (e.g., on-site child care), work for pay at home, mini-vacations over weekends, informal child care arrangements, employee control over meeting times outside of regular working hours, and related practices provide examples of time arrangements which function to accommodate both work and family life.
- Spillover effects. These effects are less determinant. For example, a change in time arrangements might increase stress at work which spills over to create a deterioration in the quality of family life. If such stress is associated with improved performance at work, then these spillover effects are part of a zero-sum game where work performance improves at the expense of family life. However, reductions in stress through, for example, greater certainty of child care arrangements or greater working time flexibility may improve both workplace performance and family life, suggesting a positive-sum game.

It is the possibility of positive-sum game aspects of time arrangements—where both work and family win—which provides hope that our research can help illuminate and identify policies and practices which enhance both workplace performance and employee family life.

Why Study Schools?

Our current project will include interviews with administrators, principals, and union officials from four school districts. In a sample of 40 public primary schools from these districts, 800 teachers and, where relevant, their partners will be interviewed by phone. At the center of the study are

a variety of questions regarding time-use patterns for teachers and their families, the working time policies and practices of schools, and the practices teacher families employ to deal with a scarcity of time.

The reasons for selecting this sample are twofold. On the one hand, many schools are experiencing heightened pressures to change their work practices in order to enhance student performance. On the other hand, teachers are highly susceptible to substantial demands from family. We next outline these claims in greater detail.

Regarding pressures on schools to improve performance, virtually every major public school system has introduced some significant reform during the last decade. For example, there is evidence that hundreds and possibly thousands of schools have been involved in "site-based management" initiatives during the last decade. Such initiatives aim to decentralize control over schools and curriculum to allow teachers and administrators to better serve student needs (see Drago et al. 1996). Other initiatives include efforts to privatize public school management (Richards et al. 1996) or to standardize measures of student performance and to make such standards tough (Levin 1993). While it is too early to gauge the success of these reforms, there is little question that many of these reforms require increased hours of work or intensity of commitment from teachers and administrators. For example, as reported in Drago et al. (1996), teachers involved in site-based management tended to report an increase in paperwork, an increase in workload and working time, an increase in meetings and training sessions outside of normal working hours, and resulting guilt about "downsizing" their family lives. Further, just under 60% of all public school teachers (including part-timers) spend at least 45 hours per week on school-related activities already (NEA 1992:146), so arguably the time crunch was already pervasive prior to many recent school reform attempts.

Turning to family demands on teachers, using 1990 census data, we estimated that 39% of all primary school teachers are mothers of dependent children (Drago et al. 1996:92). As various researchers have found, the time crunch is more severe for women than men (largely due to the "double burden") and is most severe for employed mothers of dependent children. Further, it has been estimated that over two-thirds of primary school teachers are members of dual-earner couples, another source of the time squeeze (NEA 1992:171, 172). It is not as if teachers are unconcerned with the potential squeeze on their time: over 20% of public school teachers claim that "long summer vacations" were a primary consideration in entering the profession (p. 230).

Therefore, both on the work and the family sides, there are good reasons to believe the time crunch will be relevant to this sample. As a result,

school administrators, teacher unions, teachers, and their families have a strong incentive to identify methods for ameliorating the time crunch while improving school performance.

Finally, note that the costs of ignoring the time crunch may be substantial. As a teacher in Chicago stated regarding an effect of her recently increased commitment to teaching, "My son came up to me . . . and said, 'Well, you have to quit your job so that you can take me to [pre-]school.' That makes you feel guilty" (Drago et al. 1996:93). This teacher's son never did get to attend preschool. Hopefully, we can identify policies which can prevent such tragedies while simultaneously elevating the performance of our schools.

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Predictors of Employee Willingness to Relocate to Stay Employed: The Influence of Family, Community, Work, and Company on Choice

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The research reported in this paper examines the influences of family, community, work, and company on employees' willingness to relocate to preserve their employment with a large employer. In contrast with prior research, we specifically focus on the relocation decision by controlling for the nature of the job offer. Other studies conceptualize relocation as an investment in career development and advancement for managers. By focusing on a nonmanagerial workforce, we conceptualize relocation not only as a potential career growth investment but also as an opportunity for employees to preserve firm-specific human capital investments that allow them to earn higher wages and benefits under a union contract.

The data were collected from employees at AT&T. This organization provides us with an excellent quasi-experiment to examine predictors of employee willingness to relocate to stay employed. In 1984, AT&T divested local telephone service, keeping its deregulated businesses: long distance service and equipment manufacture. AT&T's postdivestiture business restructuring quickly broke its historic social contract on employment security. AT&T's union-represented employment declined from 250,000 at divestiture in 1984 to less than 100,000 workers in 1995, a 60% reduction in union jobs. On average, the corporation eliminated over 1,000 union-represented jobs per month during the twelve-year period 1984 to 1996. Approximately 58% of the employees downsized were involuntarily laid off. Job preservation became a central concern of most bargaining unit employees and their unions, Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW). Employment restructuring resulted in over 50% of AT&T employees being classified as either managerial or supervisory by 1991, compared to 29% in 1980. Managerial employment grew by 4%, while union-represented employment declined by 60%.

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As a consequence of AT&T's restructuring, nonmanagement employees became demoralized. Many employees chose to work at AT&T because of the Bell System's commitment to employment security, and they now faced chronic insecurity. The October 1991 *AT&T Employment Security Survey* found that bargaining unit employees had become profoundly pessimistic about their future employment prospects at AT&T. In 1981, a predivestiture Bell System survey found that 68% of nonmanagement employees felt that the company was providing excellent job security and only 8% did not; by 1991 the numbers at AT&T had more than reversed themselves with over 73% feeling that there was little job security. In some business units less than 4% of the nonmanagement employees felt there was any job security. Less than 20% of the employees surveyed had confidence in management's ability to lead and solve the corporation's competitive problems. Over two-thirds felt they were unable to influence events that affect their employment at AT&T. And almost one-half of the employees surveyed had been surplused (their job abolished) at least once. The surplused employee group on average had been surplused two and one-half times.

This research investigates whether union-represented AT&T employees were able to take advantage of their employee status in a large national internal labor market to preserve their employment. According to the rules and procedures that were negotiated with the unions, employment vacancies were allocated either by direct offers to employees whose jobs were abolished or through the AT&T Transfer System, an electronic job-posting and job-matching system. Employees whose jobs had been abolished were given priority placement in the AT&T Transfer System. Restructuring in telecommunications has often involved the closing of many local service centers with the consolidation of their activities into a few large megacenters. As a consequence, employment offers, when available, often force employees to confront whether they are willing to relocate to stay employed.

The data for the research were collected by Karen Boroff and Jeff Keefe in the *AT&T Employment Security Survey*. The survey was mailed on September 24, 1991, by AT&T Transtech to 8100 AT&T employees eligible to participate in the AT&T Transfer System. A total of 3,160 employees responded to the single mailing during the months of October and November, yielding a response rate of 39%. Table 1 provides the survey response rates to two possible employment scenarios. Some 73% of respondents told us that it would have been acceptable to them if they lost their current job to transfer to a similar position in AT&T within the same geographic area. Only 19% of respondents found this alternative unacceptable. However, when the transfer requires relocation, the acceptability rate declines by

TABLE 1
Possible Employment Offers and Outcomes

	Unacceptable	Acceptable
42. You may lose your job and transfer to a similar position in AT&T in the same geographic area	19%	73%
45. You may lose your job and transfer to a similar position in AT&T in another geographic area that requires you to move	59%	37%

almost one-half, and the unacceptability of the offer increases by 40 percentage points. Explaining this relocation gap is the focus of our research.

Variables and Predictions

This study examines the determinants of the willingness to relocate while controlling for the acceptability of the transfer offer within the same geographic area. Most predictors were selected based on prior research; however, several are unique to this study. Tables 2 and 3 provide the means and predictions based on prior research and those developed for this study. Because of space limitations, the reader is referred to an excellent summary of prior research findings on the willingness to move presented in Brett, Stroh, and Reilly (1992).

Prior research consistently demonstrates that women are less likely than men to relocate. We present the means by gender subsamples and total sample. Approximately half of the respondents were women (49%). In our sample, women appear to be equally willing to relocate as male respondents. Nevertheless, we organize our analysis by gender. We want to isolate whether there is a distinctly different set of relocation decision predictors for men and women. Furthermore, AT&T's internal labor market during the 1970s was subject to an EEO Consent Decree that required the company to desegregate occupations that were organized by gender. We can test whether there is a different underlying process generating male-female relocation decisions and how company policies might affect those decisions.

We classify variables into four categories: demographic, work and company, family and community, and control. Demographic variables include age, race, gender, and education. Prior research shows that older workers, less educated workers, and minority workers are less likely to relocate. Minority workers have been much less likely to move, particularly when they might face discrimination or be isolated in the receiving community (Shultz and Weber 1966). The average age of the respondents is 43; male workers on average are older (44) compared to 42 for women. Seventeen

TABLE 2

Variable Names and Sample Means

	Male Means	Female Means	Sample Means
Demographic			
Age	44.13	41.94	43.07
Male (1-0)	1.00	0.00	0.51
Minority (1-0)	0.11	0.24	0.17
Less than high school (1-0)	0.03	0.04	0.03
Some college (1-0)	0.47	0.38	0.43
College degree (1-0)	0.06	0.07	0.06
More than college (1-0)	0.03	0.03	0.03
Work & Company			
Job satisfaction (5-25)	15.48	15.17	15.33
AT&T satisfaction (3-15)	8.75	9.93	9.32
Number of times surplused	1.13	1.23	1.18
Confidence in AT&T execs (1-5)	2.08	2.44	2.25
Performance rating (1-5)	4.04	4.14	4.09
Seniority	20.37	15.24	17.88
Full pension eligible (1-0)	0.04	0.02	0.03
Time at current location	9.42	6.22	7.91
Want advancement (1-5)	3.73	3.90	3.81
Account representative (1-0)**	0.04	0.11	0.07
Clerk (1-0)	0.04	0.20	0.12
Secretary (1-0)	0.001	0.05	0.02
Operator (1-0)	0.02	0.18	0.10
Craft/technician (1-0)	.048	0.04	0.27
Other occupations (1-0)	0.37	0.35	0.36
Family & Community			
Married (1-0)	0.78	0.58	0.68
Divorced or separated (1-0)	0.10	0.23	0.16
Spouse works (1-0)	0.53	0.49	0.51
Proportion family income (1-4)	3.36	3.21	3.29
Number children at home	1.15	0.83	0.99
Years at current address	9.92	9.04	9.50
Rent home (1-0)	0.17	0.29	0.23
Relocated 2 or more times (1-0)	0.41	0.33	0.37
Control			
Transfer with no relocation (1-5) to keep job at AT&T	3.64	3.94	3.79
Dependent Variable			
Transfer with relocation (1-5) to keep job at AT&T	2.56	2.56	2.56

TABLE 3

Employee Willingness to Relocate to Stay Employed with AT&T
Predictions Based on Prior Research & ILM Theory

Demographic	
Age	Negative or not significant
Male (1-0)	Positive (females less than males)
Minority (1-0)	Negative
Less than high school (1-0)*	Negative
Some college (1-0)*	Positive or not significant
College degree (1-0)*	Positive or not significant
More than college (1-0)*	Positive or not significant
Work & Company	
Job satisfaction (5-25)	Not significant
AT&T satisfaction (3-15)	Not significant
Number of times surplused	Mixed
Confidence in AT&T execs (1-5)	Positive
Performance rating (1-5)	Positive
Seniority	Mixed—we expect positive-ILM
Time at current location	Negative
Full pension eligible (1-0)	Negative
Want advancement (1-5)	Positive
Account representative (1-0)**	Positive
Clerk (1-0)**	Negative
Secretary (1-0)**	Negative
Operator (1-0)**	Positive
Craft/technician (1-0)**	Positive
Other occupations (1-0)**	Negative
Family & Community	
Married (1-0)	Negative
Divorced or separated	Negative or not significant
Spouse works	Negative
Proportion family income (1-4)	Positive
Number children at home	Negative
Years at current address	Negative
Rent home (1-0)	Positive
Relocated 2 or more times (1-0)	Not significant
Control	
Transfer no relocation (1-5)	Positive

* Omit high school; ** Omit factory worker

percent of the workforce is minority, with 24% of women and 11% of men minorities. Over half of the workforce has some college education, and 9% are college graduates. More men (56%) than women (48%) have some college education, while only 3% of the workers have less than a high school education.

We also investigate the influence of work and company factors on the willingness to move. In prior research, job and company satisfaction and seniority have not been significant relocation predictors. Employees in this sample on average are neither satisfied nor dissatisfied with their jobs. Men are somewhat dissatisfied with AT&T as an employer, whereas women on average are neither satisfied nor dissatisfied. Seniority may exert a more positive influence in the relocation decisions of AT&T employees, primarily because of the rules on how individuals qualify for their defined benefit pension compensation. Men have 20 years seniority and women have 15 years on average. Individuals who have had their jobs abolished in the past, on the one hand, may have self-selected to become survivors; but on the other hand, they may become frustrated with repeated job losses or may appreciate the risk associated with relocation. On the other hand, those employees seeking advancement, according to prior studies, are more likely to relocate. Women are more likely to seek advancement in this sample than men.

We expect that confidence in the executives to lead the business and a good performance appraisal rating increase the likelihood that an employee will choose to relocate. The respondents have little confidence in the executives on average but hold above average performance ratings. Time in the current work location is probably associated with stronger local ties, which may reduce the willingness to move. Men on average have been in their work location for over nine years, whereas women have been in their location for six years. If an individual is pension eligible, that should reduce the need for that individual to relocate. Approximately 3% of the sample is pension eligible without an early retirement penalty. Individuals in occupations that require high levels of firm-specific skills (account representative, operator, and technician) should be more likely to transfer than those individuals who occupy jobs that largely rely on general skills (clerks, secretaries, and other occupations). We use factory workers as our comparison group. Men are more likely to be technicians (48%), and women are more likely to be clerks and secretaries (25%).

Family and community variables include marital status, whether a spouse works, the proportion of family income represented by the respondent's earnings, the number of children living at home as dependents, years at current address, whether employee rents or owns his or her residence, and whether the employee has relocated at least two times during their work life. Prior research indicates that being married, having a working spouse, making a small contribution to family income, having children at home, home ownership, and no relocation experience reduce the likelihood of relocation. Men are more likely to be married (78% compared to

58% for women), less likely to be divorced or separated (10% compared to 23% for women), slightly more likely to have a working spouse (53% compared to 49%). Men contribute a slightly larger proportion to their families' incomes, are more likely to have children at home, are more likely to own their home (83% compared to 71% for women), and are more likely to have relocated two or more times (41% compared to 33% for women). We also include years at current address as a proxy for ties within the local community. We expect that those with greater and stronger ties to the local community will be less likely to relocate to another community. Men have lived slightly longer at their current address than women (10 compared to 9 years for women). Finally, our control variable is the willingness to accept a transfer without relocation, which allows us to control for the type of employment offer. Women are more likely to accept a local transfer to a similar position that does not require them to move than men (3.9 compared to 3.6 for men).

Results

In Table 4 we report the results of male and female linear regression models that predict employees' willingness to relocate to stay employed. We report standardized betas, which permit an easier evaluation of the relative contribution each variable makes to the willingness to relocate decision. The male model is significantly different from the female model. The male model explains 45% more of the variance than the female model. Apparently, when male employees commit to the acceptability of a transfer within their local geographic area, they are more than twice as willing to accept a relocation as part of their transfer decision. Only four other significant predictors are common to both models. Employees who want advancement and whose earnings contribute a larger proportion to family income are significantly more likely to accept relocation to stay employed. On the other hand, employees who have lived at their current address longer and employees with general skills in other occupations are significantly less likely to move.

For women, the only significant demographic predictor of willingness to move is minority status; for men, having less than a high school education is the only attribute that increases their likelihood of relocation. Work and company characteristics also influence men and women differently. Being satisfied with AT&T as an employer increases the likelihood that men will relocate, whereas being an account representative or a technician reduces their willingness to relocate. On the other hand, women are more likely to move if they have had their positions abolished in the past, have confidence in the executives to lead the business and solve problems, and have greater

TABLE 4

Predictors of Employee Willingness to Relocate to Stay Employed

Standardized Betas	Male Equation	Female Equation
Demographic		
Age	.086	.073
Minority (1-0)	-.007	.072*
Less than high school (1-0)	.070*	-.021
Some college (1-0)	-.003	.025
College degree (1-0)	.016	-.009
More than college (1-0)	.019	-.023
Work & Company		
Job satisfaction (5-25)	.009	.063
AT&T satisfaction (3-15)	.089**	.029
Number of times surplused	.012	.104**
Confidence in AT&T executives	-.061	.077*
Performance rating (1-5)	-.049	-.027
Seniority	.017	.082*
Full pension eligible (1-0)	-.027	.013
Time at current location	.042	-.044
Want advancement (1-5)	.095**	.134***
Account representative (1-0)	-.112**	-.085
Clerk (1-0)	-.028	-.231***
Secretary (1-0) Operator	-.051	-.155***
(1-0) Craft/technician	-.037	-.079
(1-0) Other occupations	-.198**	-.053
(1-0)	-.194***	-.226***
Family & Community		
Married (1-0)	.030	.048
Divorced or separated (1-0)	-.006	.054
Spouse works (1-0)	.018	-.119*
Prop. of family income (1-4)	.075*	.090*
Number children at home	-.027	-.080*
Years at current address	-.132***	-.145***
Rent home (1-0)	.144***	.049
Relocated 2 or more times (1-0)	-.070**	-.041
Control		
Transfer no relocat. (1-5)	.427***	.197***
Adjusted R^2		
* p < .05 ** p < .01 *** p < .001	.265	.182

seniority. Female clerks and secretaries are significantly less willing to relocate. Family and community attributes also shape men's and women's relocation decisions differently. Men are significantly more likely to move if they rent their home and less likely to move if they have relocated two or

more times in their work careers. Women are significantly less willing to move if their spouse works and if they have children at home. While we found 4 characteristics that significantly influenced male and female employees' willingness to relocate, there are 14 significant attributes that shape male and female willingness to relocate differently.

Discussion and Conclusion

This research demonstrates that there are different decision-making processes for male and female employees who are confronted with the need to move to stay employed. For both groups, relocation is more likely for those who want advancement and may view the lateral move as an investment in career development or career preservation. Also, the more a family is dependent upon the earnings from the respondents' job, the more willing employees are to relocate.

For men, home ownership plays a central role in their relocation decision process. Women responded in predicted ways to variables that are unique to this study. We expected confidence in the executives' leadership would lower the risk associated with relocation; seniority, we thought, represented an investment in skill and pension; and possessing general skills would create less costly local mobility opportunities. Each of these hypotheses were supported by the female model, but not the male model. Particularly, technicians with high levels of firm-specific human capital were less likely to move. Another surprising result was that female minority workers were more likely to move. This may attest to the changing patterns of race relations in society and within AT&T.

The longer an employee lives at the same address, developing ties within the community, the less likely that employee is willing to move. Ironically, employees who are more embedded in their communities suffer a penalty for community involvement when confronted with job loss. Choose your community or your job. For those concerned about the decline in civic association in America, they may want to examine the role corporate restructuring plays in diminished civic participation. To address the problems associated with forced relocation, the Communications Workers of America in 1995 negotiated the principle of preserving hometown jobs. This requires Southwest Bell and Ameritech to offer jobs to displaced workers within their local geographic areas. As these data indicate, forced relocation significantly reduces the likelihood that employees will remain with their employer, which may cost them the returns to firm-specific skills, pension and vacation rights, and peace of mind. Ironically, an industry that boasts that the new communications technology allows customers to work "anywhere, anytime," requires many incumbent employees to relocate to stay employed.

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Work and Family Constraints to Training for High-Skill Jobs in Telecommunications

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Research on high-performance work systems has emphasized the critical importance of training for improved performance and competitiveness. Frequently, the redesign of jobs and work processes results in the need for workers to develop both broader and deeper skill sets. The success of firm strategies based on high skills, however, is dependent on the ability and willingness of employees to undertake training and development activities. While much has been written about the need for U.S. firms to invest more in training their workers (e.g., Lynch 1992; Bishop 1994), less is known about the factors that influence individual employee training and career strategies. This study is designed to answer more explicitly the extent to which employees choose to participate in employer-sponsored training and to explore both the factors that influence individual participation and the ways in which such participation is constrained for some.

The conventional approach to modeling training choice is to focus on the economic and psychological factors which potentially limit the ability of individuals to take advantage of career development opportunities. In this paper I estimate the effects of work/family variables on training participation, while controlling for economic and psychological factors. I argue that work/family factors not only constrain the ability of some individuals to pursue career development opportunities but that these constraints are likely to differentially affect male and female employees, resulting in greater constraints on women than men.

I focus on the career development strategies of nonmanagement employees in a large U.S. telecommunications company within three broad occupational groups—network craft, customer service, and clerical workers. In response to significant increased competition and deregulation of telephone services, this company has embarked on a long-term process of restructuring, including both significant force reductions and development

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of an innovative training program paid for by the employer and jointly administered by the company and its unions. The intent of this training program is to develop an elite core of high-skilled, high-wage technical workers with the knowledge and expertise necessary to provide rapid, quality customer service. The program is explicitly designed to facilitate broad participation. Training takes place one day per week during work hours, with no reduction in pay. All direct costs of training, including books and materials, are paid for by the employer. In addition, the economic benefits of participation are well defined. Upon entering the program, participants receive a promotion in title and salary to the company's highest-level technical position. Additional salary increases are provided halfway through the program and upon its completion. Despite the negligible costs and significant financial benefit associated with this training program, many eligible employees have not chosen to participate. Interviews I conducted suggest that work/family factors are constraining some employees, particularly women, from fully exploring this available career option.

Theoretical Considerations

Although the anecdotal evidence appears to support a model of employee choice for training that extends beyond consideration of economic factors alone, the economic costs and benefits of participating in career development activities are not unimportant. Human capital theory (HCT) (Becker 1975) suggests that foregone earnings, including loss of overtime resulting from participation in training, and indirect costs of participating in the training program, including additional transportation and childcare expenses, will negatively influence participation.

The additional consideration of psychological factors provides a more complete picture of how individuals differ in their determinations of the costs and benefits associated with engaging in career development activities. Self-efficacy theory allows for consideration of beliefs about one's capacity to fulfill performance requirements (Bandura 1977). Self-efficacy beliefs have been shown to affect participation in training activities (Noe and Wilk 1993) and to differ by gender, with females consistently exhibiting lower self-efficacy for nontraditional academic coursework and occupations (e.g., Lent and Hackett 1987; Wheeler 1983). Based on the self-efficacy literature, I hypothesize that females will report lower self-efficacy beliefs than males for their ability to perform both in training and on the job and that these beliefs are positively related to participation in training.

While the proposed economic and psychological theories of individual choice are helpful in understanding employee decisions, they are based on rationality and freedom of choice. Individuals rarely, however, have the

opportunity to pursue career development strategies with complete freedom. I argue that the ability of some employees to participate in this training program is constrained by nonwork considerations. Previous research has shown that the nonwork context is an important consideration in understanding training choices. Conflicts between job and home responsibilities have been found to influence the ability of individuals to avail themselves of career and training opportunities (e.g., Greenhaus, Bedeian, and Mossholder 1987). Moreover, women assume greater responsibility for managing the home and family than men (Miller and Garrison 1982), with working wives with children experiencing the most work/family conflict (Gutek, Searle, and Klep 1991; Googins 1991). Based on this area of research, I hypothesize that time spent meeting family obligations as well as the extent of work/family conflict experienced are both negatively related to training participation and that women both devote more time to family obligations and experience greater work/family conflict than do men.

Data and Methodology

Survey questionnaires were mailed to all 678 individuals enrolled in the training program during spring semester 1996, to all 107 employees who had withdrawn from the program, and to a random sample of 600 additional employees. This random sample was stratified by occupation (network, customer service, clerical), geographic location, and choice category (enrolled, dropped-out, interested/applied, and other). This study is based on a sample of 439 that is primarily male (65.5%), white (78.6%), and employed in network jobs (73%). Slightly more than half of the sample (56%) is over 45 years old, and the majority (75%) have worked for the company at least 15 years. The survey response rate was 40%.

A multinomial logistic regression model was run on a subset of the overall sample (n = 439) in order to compare the responses of individuals who were enrolled in the training program to those of nonenrolled individuals. This subset does not differ significantly from the whole sample in demographic composition. Responses from individuals who have dropped out of the training program were excluded from this analysis. The dependent variable for the model, PARTICIPATE, is comprised of three choice categories: 0 = not currently enrolled and not interested in the program (comparison group), 1 = formally expressed interest in participating in the program, and 2 = currently enrolled in the program.

Work/Family Measures

Two items (MARRIED, KIDS) were included to assess respondents' marital and parental status. Two additional items were developed to measure

the amount of time spent on family-related tasks. HOUSEWORK is a measure of hours spent each week on household work. KIDCARE is a measure of hours spent each week on childcare. Conflict between work and family responsibilities was assessed with one item (BALANCE) measuring the extent to which balancing work and family is difficult, and another (TIMEATWK) measuring the extent to which family members feel the respondent spends too much time at work. A third item (REQOT), a four-point scale assessing the extent to which unwanted overtime is worked by respondents, was included to capture potential home/job time conflicts. Perceived support for balancing work and family was measured in two ways. One item (UNDERSTA) asked respondents to indicate how understanding their supervisor is when they need to be away from work to take care of family matters. The other asked the extent to which the company helps workers achieve balance between work and family responsibilities (HELPBAL).

Self-efficacy Measures

Two measures of self-efficacy were used, self-efficacy for the requirements of the training program (SETRAIN), and self-efficacy for the technical job for which the training is intended to prepare workers (SEJOB). For both measures the strength of self-efficacy beliefs represented sums of respondents' confidence ratings (1 = not at all confident, 10 = completely confident) for successfully performing specific training- and job-related tasks.

Human Capital Measures

Age, education, and earnings were measured using incremental categories. Foregone earnings were assessed by measuring the average number of overtime hours worked each week. Two items were designed to investigate indirect costs of participating in the training program. One assessed the extent to which participation would require additional transportation costs (TRANCOST). The other measured potential additional childcare costs (CARECOST).

Results

Results of t-tests of the means (in absolute values) comparing males and females indicate that as predicted, men and women differ significantly on a number of work/family and psychological variables. As expected, females report significantly lower self-efficacy than males, both for the training ($t = 2.34$) and the job ($t = 2.96$). The gender differences found in work/family variables are, however, more ambiguous. While females report spending significantly more time each week on childcare ($t = 3.15$) than do men, they appear to experience less difficulty balancing their home and job

responsibilities (t = 1.67) and report that their families are less troubled by the amount of time they spend at work (t = 5.33). The gender difference in balancing difficulty is no longer significant, however, when marital or parental status or hours of required overtime worked are controlled for. Men may be experiencing more difficulty in balancing their home and job responsibilities because they are significantly more likely than women to be married (t = 4.26) and to be required to work overtime when they do not want to (t = 3.10). In addition, women appear to receive more help at work with balancing job and family responsibilities. Women perceive significantly greater employer support for achieving work/family balance than men (t = 5.65) and report their supervisor as being understanding of their need to fulfill family responsibilities significantly more often than do men (t = 2.25).

Logistic Regression Results

The results of the multinomial logistic regression (Table 1) not only confirm the importance of economic and psychological factors in career development decisions but also provide strong support for the inclusion of work/family variables in models of employee choice for training. First, marital status is an important influence on training choice, with married individuals being significantly less likely than nonmarrieds to be either enrolled or interested in the training program. Unexpectedly, being a parent, regardless of marital status, is only weakly related to being enrolled in training and does not affect participation interest. It appears that rather than children, per se, it is the amount of time spent caring for children that significantly affects whether employees take advantage of career development opportunities. However, the effect of childcare hours was not in the hypothesized direction, at least for men. Hours spent caring for children have a significant, positive effect on enrollment and interest in training, even after controlling for marital status. However, there is a significant interaction between childcare hours and sex, so that as childcare hours increase for women, they are less likely than men to be enrolled or to have expressed interest in the training program. As predicted, increased housework hours decrease the likelihood of being enrolled or interested in training. Unlike childcare, however, there is no significant interaction between housework and sex, indicating that the effect of this variable on training choice does not differ for men and women.

The effects of work/family conflict on training choice were not entirely expected. While difficulty balancing work and family responsibilities is, as hypothesized, negatively related to expressing interest in training, enrollment and participation interest are both positively influenced by the family's belief that too much time is spent at work. Further, the predicted negative

TABLE 1

Logistic Regression Results (n = 439)
Determinants of Participation in Training

Independent Variables	Hypothesis	Interested	Enrolled
Work/Family			
MARRIED	(-)	-1.244**	-.832*
		(.588)	(.610)
MARKIDS	(-)	-.157	-1.315
		(1.041)	(1.043)
KIDS	(-)	.081	1.369*
		(.962)	(.977)
KIDCARE	(-)	1.111***	.890**
		(.399)	(.392)
FKIDCARE	(-)	-.804**	-.640*
		(.395)	(.408)
HOUSEWK	(-)	-.332*	-.591***
		(.243)	(.245)
BALANCE	(-)	-.599***	.064
		(.217)	(.207)
TIMEATWK	(-)	.886***	.515**
		(.245)	(.241)
HELPBAL	(+)	.092	.448**
		(.276)	(.266)
UNDERSTA	(+)	-.002	-.398*
REQOT	(-)	-.040	.155
		(.281)	(.253)
Self-efficacy			
SETRAIN	(+)	.016	.077***
		(.018)	(.018)
SEJOB	(+)	.133***	.070**
		(.046)	(.031)
HCT			
AGE	(-)	-.070**	.123***
		(.029)	(.032)
EARN	(-)	.017	.129***
		(.025)	(.030)
EDUC		.518***	.239
		(.159)	(.159)
OVERTIME	(-)	.075	-.853***
TRANCOST	(-)	-.386***	-.344**
		(.162)	(.156)
Demographic			
FEMALE		1.147*	1.311*
		(.693)	(.771)
WHITE		-.997	-1.901***
		(.620)	(.637)

TABLE 1 (*Continued)*
Logistic Regression Results (n = 439)
Determinants of Participation in Training

Independent Variables	Hypothesis	Interested	Enrolled
CUSTSRV		.801	-1.939***
		(.636)	(.714)
CLERICAL		.686	-2.788***
		(.780)	(.984)
OTHOCC		-2.013	-.510
		(1.248)	(.755)
CONSTANT		-8.059	-16.656
		(3.293)	(3.498)
Chi Square (46) = 421.11		McFadden's1 = .671	

Significance levels: *** = .01; ** = .05; * = .10; two-tailed test when no hypothesized sign, otherwise one-tailed test. McFadden's success index (Maddala 1983:76) is presented as a measure of the predictive ability of the model. The index is a weighted average of the correct predictions normalized to a maximum value of 1.

relationship between being required to work unwanted overtime and training participation was not supported.

The findings for the effect of employer support for balancing work and family are similarly mixed. The predicted positive relationship between employer help with achieving work/family balance and being enrolled was supported. However, contrary to expectations, the more understanding an employee's supervisor is of the need to attend to family responsibilities, the less likely she is to be enrolled in the training program.

As hypothesized, both psychological and economic factors are important determinants of employee choice for training. Self-efficacy for both the training and the job have a highly significant positive effect on enrollment in the program. The effect of self-efficacy for the job is also positive and highly significant for expressing interest in training. Indirect costs associated with the training program do affect participation. However, only anticipated transportation costs, not those related to childcare (this variable was dropped from the model because of lack of significance), influence training participation. The predicted negative effect of foregone earnings on enrollment was found.

Do Work and Family Factors Constrain the Ability to Pursue High-Skill Jobs?

In this study I model the factors that influence and potentially constrain individual career development choices. Empirical results of a multinomial logit indicate that in addition to economic and psychological factors,

work/family variables are important determinants of individual decisions to pursue training opportunities in preparation for high-skill jobs. Further, comparisons of empirical results for men and women indicate that significant gender differences exist in the ways in which work/family factors affect these decisions.

The effects of work and family factors on the choices people make about training and career development are complex. First, the conflict workers experience in attempting to balance work and home responsibilities as measured here does not seem to influence their training choices in the hypothesized ways. In particular, the positive relationship between choosing training and being perceived by family as spending too much time at work was not expected. It may be that those who are currently in training while working full time are indeed spending a significant amount of time away from home, while for those who are interested but not yet in the training program, spending one day each week in training may be viewed as potentially less time-consuming than going to work five days per week. On the other hand, difficulty balancing work and home responsibilities does, as expected, significantly decrease expressed interest in the training program.

In addition to the conflict employees experience in trying to balance their home and job responsibilities, a number of other work and family variables appear to influence training choice. The amount of time spent fulfilling family responsibilities appears to differentially affect decisions men and women make about pursuing career development opportunities. For men, hours spent on childcare are positively related to training participation. With women, however, spending more time caring for children decreases the chance that they will participate in training, relative to men. Given that, on average, women spend significantly more time than men caring for children, this factor may be one important obstacle women face in attempting to improve their employment opportunities. In fact, evaluating childcare hours for men and women at the mean levels, logit outcomes reveal that women are more than 5.5% less likely than men to be enrolled or interested in the training program. This result is due to both the different effect of childcare on women's training choices and to the greater number of hours women spend caring for children. Unlike childcare, hours spent in housework affect men and women the same way, decreasing the likelihood that training will be pursued for both.

The support employees receive in dealing with work and family conflict affects their plans to participate in training activities. However, the influence of such support depends on whether it is at the level of the immediate supervisor or the company. Specifically, individuals who perceive the

company to be helpful in achieving balance between home and the job are significantly more likely than others to be enrolled in training, whereas support from the supervisor negatively influences enrollment. It may be that an understanding supervisor makes the current job situation desirable, thereby decreasing the likelihood that an employee would be willing to assume the risks of both training and a new job.

Conclusions

As companies focus their competitive strategies on the development of highly skilled workers, the ability and willingness of individuals to participate in skill-development programs becomes increasingly important. The employer-paid training program reviewed here represents one of the best available opportunities for nonmanagement employees to enhance their careers, employment security, and income growth. Yet many eligible individuals have chosen not to participate in this program. Economic and psychological explanations for the failure of some to take full advantage of this opportunity are useful, yet incomplete. Even after controlling for the effects of human capital and self-efficacy variables, work and family factors strongly influence employee choice for training. Further, work and family factors appear to differentially influence the career strategies chosen by men and women. In particular, hours spent caring for children represent a significant constraint on the pursuit of career development activities for women. This study highlights not only the need for companies to consider the nonwork context in designing and implementing initiatives aimed at developing human resources but also the positive role that employer support for achieving balance between work and home can play in the career decisions made by employees.

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DISCUSSION

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The papers in this symposium provide a useful point of departure for understanding the relationship between work restructuring and work/family conflict. In this discussion, I raise three sets of questions to stimulate further research in this area. First, what do the empirical findings in these papers suggest for future research? Second, what are the methodological issues raised? And third, what are the policy implications?

The empirical findings document the importance of work/family variables but show that the effects occur in surprising and complex ways. At the most basic level, three of the four papers empirically demonstrate the effects of work on employees' ability to meet family responsibilities and, alternatively, the effects of family constraints on work behavior and employee careers. Appelbaum and Berg find that management practices significantly affect workers' ability to balance work and family. Clifton, Keefe, and Stelmach, by contrast, find that family constraints and community ties limit the ability of employees to pursue training and/or transfer policies that are central to high-skill jobs and organizational careers. These findings are striking. Clifton finds that even in the context of a "best practice" two-year associate degree training program, paid for by the company and conducted on company time, child care duties and housework still limit the participation of women. Keefe and Stelmach find that even in the context of AT&T's highly reputed internal training and transfer system, employees must "choose their community or their job."

Another finding is that the story is much more complex than is commonly presented. Although two of the papers find some differences in patterns for men and women (Clifton, Keefe, and Stelmach), demographic variation is not a simple driver. In all three empirical papers, the effects of gender, age, marital status, number of children, and dual earner or single parent status have surprisingly little direct significance, contrary to conventional wisdom. Rather, it is the interaction between demographic characteristics, the nature of work, and the demands of the household that matters.

The Appelbaum and Berg paper makes two important contributions in this regard. First, while most of the literature on work and family focuses

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on formal policies or "benefits" such as corporate child care programs or flextime, these authors show the significance of informal practices—such as having an understanding supervisor or being required to work involuntary overtime—on the ability of employees to balance work and family. A second contribution of this paper is the evidence that employee participation in "high-performance work systems" (HPWS) has complex and contradictory outcomes for employees and their families. Some aspects of HPWS, such as enhanced jobs, learning, and pay satisfaction, contribute to balancing work and family. Other aspects have a significant negative effect: employees who routinely teach others on the job, think the company will avoid laying them off, and who report high levels of trust between management and employees have the most difficulty balancing work and family. The question here is the extent to which employee responses accurately reflect workplace practices or their own ambitions. Clearly, this is an important area for further research.

The second major question for this field concerns conceptualization and methodology. Drago et al. improve upon prior conceptualizations by modeling work and family as a two-way street. Drago et al. conceptualize both family coping strategies, on the one hand, and firm policies and practices, on the other, as influencing the work/family interface. Families are not passive, and variation in community institutions and networks are likely to be an important part of this story. The authors' inclusion of spouse and community-based interviews, therefore, is an important methodological improvement over strictly workplace-based studies. But the methodological challenges of this research are great because commonly used quantitative techniques of modeling and estimation are not effective for capturing dynamic relationships.

All of the papers raise important policy questions for firms, families, and governments. Whose responsibility is it, or should it be, to create policies to balance the demands of work and family? If high-performance work systems have negative spillover effects for families, whose responsibility is it to remedy these effects? Should families continue to absorb the costs? If high-skill workplaces require high levels of continuous training, then what arrangements are needed to ensure that employees have equal opportunity to participate in that training? And who should pay? If firms need greater organizational flexibility to be competitive, is there an inevitable conflict between family stability and civic participation, on the one hand, and career stability on the other? What should families do? What should schools and communities do? What public policies or strategies might effectively reduce work/family conflict? Finding solutions to these pressing issues is central to firm performance, family well-being, and social stability in the coming decades.

VIII. HISTORICAL PERSPECTIVES ON COMPANY UNIONS

Company Unionism in Canada: Legal Status and Legislative History

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In both Canada and the U.S., prohibitions against management domination have outlawed true company "sham" unions. In Canada, however, formal nonunion forms of employee representation are lawful, provided they are not deliberately designed to thwart union organizing. They exist today, alongside a viable union presence and without legal challenge under Canada's collective bargaining statutes. In the U.S. the combination of NLRA Section 8(a)(2) and Section 2(5) prohibits nonunion collective representation.

What explains the discrepancy? This paper describes Canada's deliberate, but subtle, adjustments to the Wagner model that allowed nonunion representation systems to exist. The factors that fostered the design of Canadian laws relating to the company union question will be described. The precise statutory mechanisms that allow the persistence of nonunion forms will be analyzed.

The two major themes that differentiate Canadian approaches from American involve human agency and institutional context. First is the profound influence of William Lyon Mackenzie King—architect of Canadian labor policy for over forty years—as deputy minister of labor after the turn of the century, as consultant to the American Rockefeller interests and author of the famous Rockefeller/Colorado nonunion plan, head of the federal Liberal party, and prime minister of Canada from 1935 through 1948. The second theme involves the institutional setting for the passage of labor laws. The decade that intervened between the adoption of the Wagner Act

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and Canada's federal attempt at comparable legislation brought new forces to the forefront.

Nonunion Forms Prior to the Wagner Act

Early in his career, Mackenzie King began formulating his stance towards nonunion representation. While consistently sympathetic to unions' calls for justice and better conditions for workers, Mackenzie King began to harbor a distaste for unions' insistence on formal recognition, which he felt led to unacceptable violence (Mackenzie King 1973, 1980; Rudin 1972:48). Certainly, by the time he was approached by the Rockefellers in 1914 after the Ludlow Colorado disaster, his ideas had crystallized. The Colorado Fuel and Iron Company adopted King's plan in 1915, and it was called the Joint Industrial Council (JIC) (Gitelman 1987; Taras 1993).

The JIC plan spread throughout North America and became the most widely practiced among a host of alternative nonunion plans of the day. Mackenzie King rarely spoke publicly about his Rockefeller consultancy, fearing that this association might hinder his chances of election in the Canadian political area. Privately, each man developed an extraordinary degree of affection for the other (Gitelman 1987).

In 1919 the federal government convened a National Industrial Conference to examine joint councils. Mackenzie King argued that there was an evolution on a continuum from no representation to formal unions. JICs were "an initial step to condition employers to the notion of giving representation to employees [and] as a final step extend the employees' recognition through their trade union organizations" (Martin 1954:256). The Department of Labor embarked on a policy to encourage JICs but remained silent on whether JICs should include or bypass trade unions.

Until the Wagner Act eliminated the U.S. company union movement, Canada and the U.S. were running on parallel tracks. In fact, as a proportion of the workforce, Canada had twice the penetration of nonunion representation than did the U.S. (U.S. National Industrial Conference Board Report 1919:1; Canada Department of Labor 1921:6). The diffusion of nonunion plans in Canada was broad, including a wide range of industries and many dominant companies such as Bell Telephone, Imperial Oil, International Harvester, Massey Harris, and various important mining and manufacturing companies. The effects of cross-border ownership obscured whether nonunion plans were an attempt to avoid union recognition or whether they were adopted in the spirit of benevolent cooperation. The JIC was installed in several American-owned companies in Canada years before the emergence of a viable Canadian organizing threat (e.g., Imperial Oil did not face serious organizing until the 1950s).

While the private sector in Canada took its cue from south of the border, the burgeoning Canadian civil service drew its model from a bastardized application of the British Whitley Committee Plan. Whitleyism incorporated union participation, but in Canada the model became a substitute for unions. Mackenzie King was an advocate of Whitleyism, but when he finally had the opportunity to implement the National Joint Council (NJC, Canada's adaptation of Whitleyism) in 1944, he defanged the NJC's power. It was to have an advisory and consultative role only, a major departure from the British Whitley Council mandate (Barnes 1974:101).

In the 1930s the Canadian labor movement heartily embraced the Wagner Act guarantees of recognition, compulsory bargaining, and explication of unfair labor practices. The Canadian federal government, however, was sluggish in its response to union pressures and allowed the provinces to take the lead in drafting "mini-Wagner" statutes.

Why Did Canada Delay? The Change in Institutional Context

There are five explanations for Canada's procrastination. First, the whole field of labor relations was muddied by constitutional issues in the aftermath of an unanticipated 1926 decision that severely limited federal jurisdiction over labor. Multiple provincial jurisdictions emerged as the important arenas for labor law. Second, after 1935 Prime Minister Mackenzie King felt that the Wagner Act's elaborate machinery would be difficult to transport to Canada, particularly during an era of vigorous management resistance to industrial organizing (Coates 1973:54; Abella 1973). King's expedient solution was to encourage the TLC to pressure the provinces and postpone the federal reckoning.

Third, the government did not view prolabor laws as an instrument of macroeconomic planning as was the case in the U.S. (Kaufman 1996). Rather, Canada favored strong state intervention which sidelined the union movement (MacDowell 1978; Rudin 1972). Fourth, lobbying of organized labor was held in the deepest suspicion. There was considerable pressure on governments to avoid any legislation that would force management to recognize and deal with "radical" unions. Fifth, and after 1937 most important, the government was preoccupied with Canada's foreign and domestic affairs arising from war preparations and the entry into World War II. Thus for years, Mackenzie King adopted a dodge-and-weave approach to labor, and it was not until 1944 that pressures built to break this inertia.

The Constellation of Forces

The impasse could not survive a growing alliance between the CCF party (later the NDP) and organized labor. The sharp rise in support for

the socialist CCF justifiably terrified the Liberal government (MacDowell 1978:193). Mackenzie King was shocked by the outcome of the 1943 Ontario election (in which the Liberals were squeezed out and the CCF became the Official Opposition) and by the defeat of Liberal candidates in a federal by-election shortly afterwards. When a national Gallup poll showed the CCF leading public opinion across the country that Canadians were much more sympathetic to unions than to "big business" (Whitaker 1977:137, 138), King realized he had to act quickly to salvage his relationship with labor.

The labor movement felt it was being betrayed by the federal government's Industrial Disputes Inquiry Commission (IDIC) consistent mishandling of four contentious labor recognition struggles (Canadian General Electric, National Steel Car, Canada Packers, and Kirkland Lake). In all cases the IDIC favored bypassing the union and devising a nonunion forum to avoid the recognition issue. The IDIC solution became a call to arms for organized labor, which began fervently clamoring for the passage of Wagner-style protective legislation.

Under enormous political pressure, the Liberal government finally enacted the Wartime Labor Relations Regulations—commonly referred to as PC 1003, which contained many features of the U.S. model—alongside Mackenzie King's traditional emphasis on conciliation and dispute resolution. The main elements of PC 1003 were adopted by most provinces after the war, and it set the basic framework for a common approach to labor law across the country.

Why No Company Union Ban?

Federal and provincial legislation avoided the Wagner Act approach to company unions. Five reasons for the continued legality of nonunion forums are posed. First, the prime minister had a strong vested stake in perpetuating his own invention. There was no macroeconomic argument for banning company unions. Indeed, nonunion forums were viewed as an important mechanism for civil service representation. There was no comparable figure to Senator Wagner in Canada.

Second, WWII brought about calls for greater labor-management cooperation, particularly in the form of joint committees. Labor Management Production Committees were the official policy of the government, and joint committees were struck in both unionized and nonunionized industries.

Third, proponents of company unions made persuasive cases as they provided evidence to the National War Labor Board inquiry of 1943, which ultimately spearheaded PC 1003. Three themes recurred: (1) freedom of

association (e.g., by the Canadian Manufacturers Association); (2) foreign domination (the preference for "independent company unions" over foreign-controlled [American] unions which might disrupt Canadian industries to their own advantage, e.g., Ontario Mining Association submission; the Canadian Car and Foundry Company submission); (3) don't tamper with success (a number of companies and nonunion plans described their records of achievement at the inquiry).

Though these arguments were challenged throughout the hearings, the employer arguments proved more persuasive to the National War Labor Board commissioners. The concept of union responsibility guided the future statutory provisions that required unions to demonstrate financial accountability and their legal status through presentation of constitution and bylaws. The emphasis was on certification procedures of narrowly defined trade unions and the Wagner Act-type prohibition on company unions was diluted. At the same time, the certification of trade unions (narrowly defined) which were influenced or dominated by management was prohibited.

Fourth, the most politically influential labor organization, the TLC, did not advocate an outright ban on the existence of nonunion representation. Rather, it focused on barring company unions from certification and collective bargaining rights.

Fifth, many ardent practitioners of nonunion plans made significant contributions to Liberal party election funds, including many of the top seven companies (which pledged between $25,000 and $30,000 each and accounted for 35% of funds raised for the previous federal election). There is no proof of any connection between monetary contributions and labor policy; this fifth point is mentioned as an intriguing curiosity.

What Did Canadian Statutes Look Like?

To avoid banning nonunion forms, Canadian lawmakers concentrated on creating narrow structural definitions of labor organizations. In most statutes, a labor organization is a trade union, and the terms are used synonymously in the majority of codes. It became common that to seek certification, a labor organization was required to have a constitution, bylaws, and officers; file financial statements; and exist for the primary function of bargaining over terms and conditions of employment. All Canadian statutes contain a prohibition against management domination or participation in trade unions. The effect is that a company-dominated forum cannot be certified for the purposes of collective bargaining. While it is not recognized as a player, it is not an unfair labor practice *per se*. Two important

Ontario cases (*UAW v. Massey-Harris* and *UERMWA v. Atlas Steel*, both in 1943) were early portents of the Canadian approach.

By contrast, Section 2(5) of the Wagner Act defines a labor organization broadly. When Section 8(a)(2) is invoked in tandem with a broad definition of labor organization, the result is a clear prohibition on the continued existence of company-dominated labor organizations. The U.S. law has a reach and sweep that in Canada was severely curtailed.

The Practical Result

Canadian companies which so desire may freely operate formal nonunion plans. The plans may include many or all of the characteristics that were specifically targeted for eradication in the U.S. (e.g., worker elections, inclusion of managers in decision-making roles, explicitly dealing with terms and conditions of employment, etc.). Nonunion employees participating in these plans remain outside of the statutory regimes governing the relations between unions and management. Technically, any agreements drawn up between representatives of nonunion systems and their companies are considered individual contracts of employment, although collectively applied.

Nonunion employee representation has never vanished from Canadian industrial relations. The JIC continues to be the dominant form of representation throughout Imperial Oil (Taras 1993). There are no barriers to the entry of new practitioners, and in the last ten years a number of companies have initiated such plans. Industry giants operate nonunion vehicles for employee participation, often alongside significant union penetration of their companies. Legal challenges are extremely rare and are usually aimed at the renegade overtly antiunion employer.

The critical section is not, as is most frequently argued in the U.S., Section 8(a)(2), but rather Section 2(5). In Canada the definitions section is used to confine the jurisdictional reach of labor boards to matters affecting bona fide unions. Unions are free to raid nonunion plans at any time, because nonunion plans cannot be used as a shield against union organizing. Many Canadian unions have been successful in courting nonunion plans and winning union certifications. Thus compared to the contentious debate raging in the U.S., Canadians by and large view nonunion employee representation as a nonissue.

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Company Unions after 1937

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Section 8(a)(2) of the Wagner Act, which outlawed employer-financed or directed labor organizations, seemingly abolished the company union as it has been known since the 1910s. This essay examines the responses of employers and company union leaders to Section 8(a)(2) in the years immediately following the Supreme Court's 1937 *Jones and Laughlin* decision upholding the Wagner Act. It concludes that their reactions were as diverse as the company union movement itself. Many company unions disappeared; others became *more* employer dominated. Others charted a new course that created precedents for nontraditional approaches to worker representation.

Background

The company unions of the mid-1930s reflected two important innovations of the early 20th century. First and more important was the growth of personnel management as an explicit business function. By the turn of the century many large manufacturing firms confronted problems of organizational efficiency. Together with retailers and other employers who had numerous female employees, they began to recognize employee morale as a specific, critical feature of the larger problem. At the lowest level, they reconsidered the first-line supervisors' formerly sacrosanct power to hire and fire. From the assumption that low-level employees ought to be safeguarded from arbitrary and authoritarian supervisors, it was only a short step to the assumption that employees would perform even better if they had voice in production decisions (Jacoby 1985).

This conclusion raised other issues, of course. The labor movement, enjoying dramatic membership gains in mining, construction, and some areas of manufacturing, relied on precisely the same argument. Would company-sponsored employee organizations encourage union activism? Could they be restricted to issues that benefited the firm, or would they insist on discussing wages, benefits, and other "selfish" concerns? Most employers agreed that the downside risk (and the likely costs of a company union) overshadowed the likely benefits. As a result, only a handful of

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aggressively managed large corporations, together with a handful of small pioneering firms, embraced company unionism (Nelson 1982).

The second stimulus was government. During World War I and again during the initial phase of the Roosevelt administration's recovery program, the federal government endorsed collective bargaining for industrial workers as a way to raise production and reduce conflict. In both cases organized labor played an important role in these policy decisions and sought to benefit from them. Employers who subscribed to the larger goals of the government effort could hardly reject collective bargaining. For them, the company union was a way to cooperate while keeping the labor movement at bay.

In 1937, then, the company union movement consisted of a few dozen organizations that had operated for a decade or more and had achieved some or most of their originators' goals and a handful of more recent organizations designed mostly to thwart outside organizers. The Supreme Court's *Jones and Laughlin* decision left their futures unclear but problematic.

Company Unions as AFL and CIO Unions

In 1937 the labor movement was approaching one of its periodic peaks. It had enlisted hundreds of thousands of new members and extended its reach into hitherto unorganized areas and industries. The unions' most notable gains were in mass production manufacturing. With the *Jones and Laughlin* decision, the AFL and CIO could claim the imprimatur of government as well. The outlook for company unionism or, indeed, for anything that deviated from the new orthodoxy appeared unpromising. Employers seemingly had few options.

One obvious choice was to welcome an AFL or CIO alternative. The best known case involved U.S. Rubber, whose vice president for industrial relations, Cyrus Ching, struck a celebrated bargain with the United Rubber Workers in 1937. In return for the union's promise to provide capable leaders and give careful consideration to company needs, Ching abandoned U.S. Rubber's company unions and welcomed URW organizers. The transition proceeded smoothly, and relations between Ching and his new "adversaries" remained peaceful. Everyone seemed to benefit. Yet the key had not been the workers' interests or desires but Ching's determination to ensure that the company's ambitious expansion plans were not sidetracked by labor turmoil (Babcock 1966: 305-307; Nelson 1989:48-49).

At U.S. Steel, company unions also played an important role in the emergence of CIO organizations. The Steel Workers Organizing Committee (SWOC) strategy of 1936-37 had two central objectives: to win over

company union leaders, mostly skilled employees, with promises of aggressive bargaining for wages and other "selfish" interests and to recruit less skilled employees through outside organizations such as fraternal societies and ethnic clubs. By early 1937, SWOC had made substantial progress on both fronts. The company unions had already achieved defacto independence. Affiliation with SWOC increased their influence and the likelihood of concessions by the management. The informal alliance between the company unions and the SWOC was a factor in the company's decision to agree to a contract in March 1937 (Bernstein 1969: 454-72).

In these cases and many others, company unions were halfway houses between the open shop and conventional collective bargaining. Managers had accepted the idea of a formal workers' voice. They reassured themselves that their experiences had prepared them for a new relationship. Whether, like Ching, they believed they could manage the new organizations, or like the U.S. Steel executives, that they had no other acceptable options, company unionism paved the way to union recognition and collective bargaining.

Company Unions as Independent Unions

Many employers, however, strongly resisted the pattern sketched above. They recognized the value of a worker's voice but distinguished between a company union designed to promote labor-management cooperation and business objectives and an AFL or CIO union devoted to advancing worker and union goals, in part through adversarial bargaining. If they had to choose between no union and the latter, they would have selected no union without hesitation. But in some situations there was a third, more satisfying possibility: the independent, unaffiliated union. Where the company union had commanded a substantial rank-and-file following, independent unionism was especially attractive. Restructured to conform to the Wagner Act, independent unions could preserve the legacy of company unionism without raising the specter of strikes and shutdowns. The unions at three companies, Leeds & Northrup, AT&T, and DuPont, suggest the possibilities of this approach.

Though the three organizations differed in many ways, they shared certain characteristics. First, they all dated from the pre-Depression years, were products of advanced personnel programs, and had good records of constituency services. Second, they operated in relatively peaceful environments. They did not have to face major opposition from "outside" unions, in part because their companies were known for their liberal policies and in part because their industries experienced little organizing or labor-management conflict. Some AT&T and DuPont plants negotiated with AFL

unions that represented skilled employees, but they were isolated cases. If labor was "on the march," it avoided roads that led to these companies. From the employers' perspective, independent unionism was an alternative to "outside" organization, but from the employees' perspective, the choice was not between an independent union and a viable AFL or CIO union; it was between an independent union with a record of modest but meaningful achievement and the largely empty right to form an AFL or CIO union. Third, employees of the three firms enjoyed wages and working conditions that were equal to those of most union members and had greater employment security. Relative to most industrial employees, they were privileged.

The Leeds & Northrup Cooperative Association had been an archetype of the progressive company union. It had provided a wide range of services to employees while working closely with Leeds & Northrup managers, supposedly preserving the "spirit" of the firm's early years. Morale and employee loyalty had declined in 1933 and 1934 as business conditions forced cutbacks and layoffs, but the Cooperative Association faced no "outside" threat. By 1937 it was probably as popular as it had been a decade earlier. After the *Jones and Laughlin* decision, the Cooperative Association abandoned its economic and disciplinary functions but continued to manage many of the company's employee benefit programs. An independent unaffiliated union bargained for Leeds & Northrup factory employees. The difference between the pre-1937 Cooperative Association and this new combination was negligible. The government-imposed changes of the late 1930s produced a largely seamless transition that had little if any substantive impact. The independent union continued to represent Leeds & Northrup employees for thirty years (Nelson 1982).

The fate of the AT&T unions, the largest single group of employee representation organizations, provided compelling evidence of the persistence of company unionism. Bell managers largely orchestrated the 1937 transformation of company unions into independent organizations. They succeeded in creating fiercely independent unions committed to local autonomy and labor-management cooperation. At the 1939 meeting of the National Federation of Telephone Workers (the loose federation of Bell independent organizations), for example, union leaders agreed on almost nothing except that strikes were "repulsive" (Schacht 1985:66). The Bell System's traditional liberality and the labor movement's near-total indifference to telephone workers help explain this perspective. Telephone workers had only one model of effective representation. Opting for independent unionism was a logical consequence of their experiences.

The Bell unions faced unprecedented challenges in World War II. Wages stagnated and working conditions declined, thanks to government controls.

Many veteran workers left for military service or higher-paying defense jobs. As the Bell System went from a high-wage, low-turnover to a low-wage, high-turnover operation, company loyalty declined. A strike at Ohio Bell in 1942 heralded a new era of militancy. A larger strike in 1944 and a nationwide strike in 1947 left no doubt about the changing character of labor-management relations. The independent unions responded by becoming more aggressive and by consolidating. The NFTW became the Communications Workers of America, an unaffiliated national union, in 1947 and a CIO affiliate in 1949. In less than a decade, telephone workers went from company unionism to militant industrial unionism. Yet the change was not as dramatic as this contrast suggests. Despite war-time conditions and a widespread conviction that a national labor organization was necessary to bargain effectively, many Bell unions—representing half of all Bell employees in the 1950s and one-third in the 1980s—did not affiliate with the CWA (Schacht 1985:183-84).

Company unionism at DuPont had a different outcome. The company dominated the new independent unions, much as it had dominated the works councils. High wages, liberal benefit programs, and ineffectual competition from AFL and CIO organizations encouraged worker passivity and cooperation. The one major difference was the DuPont unions' isolation. DuPont managers resisted federation and insisted on plant-level negotiations. They also maintained wages and working conditions at high levels. In the absence of pressing economic issues, independent union leaders could afford to be complacent. Finally, in the 1960s the company reversed its position and opposed all forms of worker organization. While the existing independent unions retained their tenuous hold on employee loyalties, new plants generally remained unorganized (Rezler 1963).

Company Unions and Union Avoidance

A final group of company union promoters sought to use them to prevent "outside" organizations from gaining a foothold in an unorganized labor force. Many of the company unions of the World War I and NRA years had had this rationale. After 1937 some of them acquired a sharper edge. In these firms independent unions were little more than adjuncts of personnel departments charged with providing foot soldiers in the war against AFL or CIO unions. Through intimidation and outright terrorism they sought to prevent the emergence of any meaningful worker's voice.

In the 1920s and 1930s Goodyear Tire and Rubber had one of the most effective company unions, the Industrial Assembly, in its huge Akron, Ohio, complex. During the NRA period it introduced assemblies in its other plants. Like most company unions of that period, they failed to

develop a loyal constituency and became recruiting organizations for anti-union militants and thugs. The most notable example was the Gadsden, Alabama, assembly. After *Jones and Laughlin* it gave way to an independent union with the same purpose. When the company ultimately decided to embrace collective bargaining, these organizations became superfluous and disappeared (Nelson 1988).

Two other examples carry the story into the postwar years. At Thompson Products, company unions dated from the NRA period but became important only in the late 1930s as the company launched a concerted campaign against the United Auto Workers (UAW). Despite NLRB hostility and repeated UAW organizing campaigns, they kept the company union-free. That they also provided many services that company unions customarily provided and developed a loyal following in some plants should not obscure their primary purpose (Jacoby 1989). This function was also paramount in the operation of the Kohler Workers Association, the most notorious of the aggressively antiunion independent unions. Formed in 1934, it fought and defeated a UAW local after a prolonged strike. In the 1950s, when the UAW launched a new organizing effort, the KWA did an about-face and embraced the UAW. The company responded by precipitating another strike that proved to be as long and costly as the earlier strike. Ultimately, the UAW won, and company and union entered into a reasonably conventional collective bargaining relationship. Still, for more than twenty years the Kohler Company had used its company union to defy the law and the government.

Conclusions

The company unions of the post-*Jones and Laughlin* years had various fates, depending on the environment in which they operated. Some of them contributed to the peaceful spread of the labor movement, others to the growth of independent local unionism, and still others to defiance of the law. Employer objectives largely dictated these roles, though workers, especially veteran workers, also had substantial influence. A key lesson of the survivors' experiences was the importance of context—the setting in which the firm and the workers operate—for understanding the contributions of company unions and the impact of the Wagner Act.

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Company Unions: Sham Organizations or Victims of the New Deal?

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Of all the provisions in the National Labor Relations (Wagner) Act, few at the time of its passage in 1935 were as controversial or far-reaching in effect as the Section 8(a)(2) ban on "dominated" labor organizations (a.k.a. "company unions"). This issue, after laying dormant for several decades, has reemerged as a major focal point for debate in academic, business, and policy-making circles. Emblematic is the controversy surrounding the TEAM Act (see LeRoy 1996), a piece of legislation, passed by Congress in 1996 but vetoed by President Clinton, which would have exempted certain types of employee involvement committees from the strictures of Section 8(a)(2).

The debate over the merits of the TEAM Act, as well as testimony presented to the Dunlop Commission, featured many of the same arguments originally made in the 1934-35 congressional hearings concerning the NLRA's ban on company unions. In particular, opponents of nonunion forms of employee representation maintain that they are largely sham organizations set up by employers to thwart unionization and delude workers into thinking they have a meaningful voice in plant-level decisions. Proponents, on the other hand, claim that these nonunion representational plans provide a number of economic and social benefits to both workers and employers, including improvements in worker-management communication, more effective methods of dispute resolution, increased productive efficiency, and more desirable terms and conditions of employment.

In an effort to shed further light on these matters, this paper undertakes a brief review of the early 20th century experience with company unions and the reasons why Senator Wagner and other supporters of the NLRA were so adamantly opposed to them. It is concluded that the ban on company unions was not a wise policy decision at the time, nor does it serve the public interest or even the interests of organized labor at the current time. The strictures against nonunion employee representation plans contained in the Wagner Act should thus be relaxed, albeit only if accompanied

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by strengthened protections against employer coercion and discrimination in workers' choice of a representational agent.

Defects of Company Unions

The American company union movement spanned roughly two decades in the early part of the 20th century, beginning for all practical purposes in 1915 with the establishment of the "Rockefeller plan" at the Colorado Fuel and Iron Co. and ending with the passage of the Wagner Act in 1935 (Nelson 1993). Prior to World War I, only a handful of nonunion employee representation plans (NERPs—treated here, albeit with some inaccuracy, as equivalent in meaning to "company union") could be found in American industry, a number that was to then irregularly grow to 1,000+ in the mid-1930s, covering more than two million workers.

Given the impressive growth and spread of NERPs, it is an interesting question why they were found so objectionable as to warrant an outright ban in the NLRA. A reading of the voluminous literature on the subject, including testimony during the Senate hearings on the Wagner Act, reveals six major criticisms of NERPs. They are:

A union avoidance device. The first charge is that company unions were established as a means to keep out trade unions. They performed this task either by stifling workers' demand for union representation through paternalistic labor practices ("union substitution") or by serving as a front for employers' antiunion tactics, such as in helping to identify and isolate union activists and providing a pretext for refusal to bargain ("union suppression"). Senator Wagner spoke to the union avoidance function of company unions when he stated in Senate testimony on behalf of the NLRA (reprinted in National Labor Relations Board 1985:23), "At the present time genuine collective bargaining is being thwarted immeasurably by the proliferation of company unions."

Counterfeit industrial democracy. The second charge is that company unions, billed as a method to promote industrial democracy, were in fact creatures of the employer and conferred upon workers no independent voice or rights. The reality of employer domination is revealed, critics claim, by the reluctance of the employee representatives to speak up against management initiatives and the discrimination encountered, including loss of job, should they persist. In this vein, Senator Wagner (NLRB 1985) said, "The company union is generally initiated by the employer; it exists by his sufferance; its decisions are subject to his unimpeachable veto. . . . Collective bargaining becomes a sham when the employer sits on both sides of the table."

A tool for management manipulation of employees. The third charge against company unions is that they are a device used by employers to manipulate or coerce workers into behaviors or activities that serve management objectives. In the guise of fostering improved "communication," for example, employers use the company unions to "soften-up" workers for wage cuts or speed-ups, or in the name of "employee participation" have council members do the company's dirty work, such as denying employment to strikers (see Ozanne [1967] for numerous examples).

No effective bargaining power. A fourth charge against the company unions is that they have no independent bargaining power with which they can protect or advance employee interests. Lack of power stems from a variety of factors, including no right to strike; no independent financial resources; no opportunity to obtain outside counsel, negotiating help, or information about conditions at other firms; and the company's control over the meeting agendas, decisions, and livelihoods of the employee representatives. Wagner alludes to this defect of company unions when he states (NLRB 1985:20, 21), "We are forced to recognize the futility of pretending that there is equality of freedom when a single workman, with only his job between his family and ruin, sits down to draw a contract of employment with a representative of a tremendous organization having thousands of workers at its call . . . it is an absolute essential to real collective bargaining that employees should have the right to be represented by independent experts who have a knowledge of business conditions and who are not subject to the economic sway of the employer with whom they deal."

Not able to take labor cost out of competition. A fifth criticism levelled against company unions is that because their coverage is limited to the employees of an individual plant or worksite, they cannot take labor cost out of competition and, thus, maintain existing levels of wages and working conditions during periods of high unemployment or improve the wage bargain in periods of prosperity. Wagner says in this regard (NLRB 1985:21), "I do oppose the domination of such unions by employers who do not permit their workers to become affiliated with outside organizations even when they desire to do so. In many cases such wider cooperation is necessary to stabilize and standardize wage levels, to cope with the sweatshop and the exploiter, and to combat the employer who is unfair and overweening."

A cause of greater industrial conflict. A final charge made against company unions is that they were a prominent cause of strikes and labor unrest because they suppressed workers' demand for independent representation.

Wagner said in this regard (NLRB 1985:25), "It has been my observation that industrial strife is most violent when company unionism enters into the situation, and that the company union line of organization is least likely to bring forth the restraint of irresponsible employees by others of their own group."

An Assessment and Critique

Each of these criticisms accurately describes a portion of the reality concerning company unions. There is also another side to the company union experience, however, that is too often ignored or underappreciated. The three most important aspects are the following:

Union avoidance not the primary motive among leading firms in the 1920s. Without question, few employers in the 1920s-1930s welcomed the prospect of being organized by a trade union. Particularly in the World War I and early New Deal years, it is also true the primary motive of many firms that established NERPs was first and foremost union avoidance. In the intervening years, however, a number of companies created new NERPs and many others sought to maintain those already in existence, even as the union threat noticeably subsided. Predominant among this group of employers were a number of medium-large firms that were pioneers in the development of progressive personnel management practices and the emergent welfare capitalism movement. The most visible and influential members of this group were linked to the Rockefeller interests and the Rockefeller-financed consulting firm Industrial Relations Counselors; included companies such as Bethlehem Steel, Standard Oil of New Jersey, United States Rubber, and DuPont; and belonged to a then-secret organization called the Special Conference Committee that sought to promote and coordinate progressive employment practices among its members (see Scheinberg 1986).

It was progressive employers such as these that John R. Commons (1921:263) had in mind when he stated, "From 10 percent to 25 percent of American employers may be said to be so far ahead of the game that trade unions cannot reach them. Conditions are better, wages are better, security is better than unions can actually deliver to their members." What made these companies so advanced was that they chose to solve the numerous labor problems of the 1910s, such as high turnover, low work effort, and strikes, not by heavy-handed tactics associated with drive methods and anti-unionism but through methods aimed at winning the loyalty and cooperation of workers. Toward this end, they were among the first American employers to establish personnel departments in their plants, create a written,

standardized code of employment policies, and introduce a panoply of benefit programs (e.g., life and accident insurance, stock ownership plans, paid vacations, etc.). The crown jewel of these advanced people-management programs was the employee representation plan, touted at the time as a method to promote improved two-way communication, resolution of grievances, terms and conditions of employment, and loyalty and commitment to the company.

That more socially redeeming motives than union avoidance were the animating factors behind the establishment of NERPs by these companies is indicated in the observations of Sumner Slichter, a student of Commons and one of the period's most astute observers of industrial relations. He states (Slichter 1929:404), "As the fear of strikes has diminished and as labor has demonstrated its willingness to cooperate, the desire for labor's help has become the most important single influence molding the labor policies of American employers"; and "modern personnel methods are one of the most ambitious social experiments of the age" (p. 432). Because many of the firms that established NERPs were also leaders in the use of advanced, progressive employment practices, unionization was, by and large, a moot issue for them during the 1920s-early 1930s (Leiserson 1928). Rather, what they were involved in was a pioneering effort at winning increased employee loyalty, commitment, and cooperation—exactly the approach touted today by academic and business proponents of the "high involvement workplace."

Trade unionism not a viable or attractive option for many workers. It is often implied or alleged that many more workers in the 1920s-early 1930s would have chosen trade union representation were it not for the barriers thrown up by employer-erected company unions. This charge, although certainly containing an element of truth, substantially overstates both the demand of employees for trade unionism and the willingness/ability of unions to supply collective bargaining services to them.

During the years of World War I and its immediate aftermath, workers across a broad swath of American industry did demonstrate considerable desire for union representation. It may be fairly said, however, that the major catalyst was the disturbing economic and political conditions associated with the war. Once the economy and political situation returned to normal, and given the defeat labor suffered in the steel strike of 1919, the demand for unionization among most sectors of the workforce noticeably declined. And, significantly, a substantial portion of this decline in demand for union representation was due to policies and practices of organized labor itself.

It must be remembered that most unions were craft unions that catered to skilled, native-born male workers. A number actively discriminated against workers who were foreign born, female, or members of racial or ethnic minority groups, and most of the trade unions professed little interest in and devoted few resources to organization of the unskilled. Looking back on the period of the 1920s, Cyrus Ching, a vice-president of industrial relations at U.S. Rubber Co. and an influential exponent of progressive personnel practices, observed in this regard, "The A.F. of L. at that time [the 1920s] was not interested in that type of work or in the mass production industry worker at all. Sam Gompers made it very plain that he was only interested in skilled crafts and the so-called aristocracy of labor, and they didn't have the necessary administrative ability or the staff to really organize mass industry. They didn't want to in the first place" (Ching 1973:91-92).

Unions of that era also had other liabilities that reduced employee demand for representation. A number of unions, particularly in the building trades and local services (e.g., dry cleaning) had significant elements of corruption and racketeering. Public approval of unions was also hurt by frequent jurisdictional disputes, sympathy strikes, and high initiation fees and other devices that limited membership. The internal governance of some unions of the 1920s-1930s was also rife with cronyism and autocracy. Another factor was the quality of union leadership, often judged by outside observers to be mediocre and unimaginative (Slichter 1929; Kaufman 1996). Finally, many mass production workers in the early New Deal years who wanted union representation found that their only option was to join an AFL-chartered "federal labor union" (a plant or community-level union directly affiliated with the AFL), but these had the liability that later they would likely be carved up among competing craft unions.

Indicative of the moribund state of organized labor in the 1920s-early 1930s are the recollections of Thomas Elliot, a self-professed "New Dealer" employed in the Roosevelt administration as a deputy to Secretary of Labor Francis Perkins. He recounts in his autobiography (Elliot 1992:56-57),

> While I was all for upholding the workers' rights under Section 7(a), and highly critical of employers who denied them those rights, I was not automatically pro-union. Far from it. Frequently I wrote [to his family in 1933] about the leaders of some of the major A.F. of L. craft unions, especially in the building trades, calling them "a bunch of racketeers in league with a lot of the building contractors." And again, "It's hard to be enthusiastic about organized labor." Those were early comments, but in 1934 I still felt the same way: "I'd like to see equality of bargaining power, but I doubt the efficacy of any program designed to

> increase the strength of the A.F. of L. as presently constituted. There is a dearth of disinterested labor leaders. If some of the top men could be deported, and Sydney Hillman and Philip Murray and a few like that put in charge, then we'd have a worthwhile labor movement."

Company unions delivered tangible benefits to both employers and employees. Some company unions were, as frequently charged, little more than window dressing or a desperate, stop-gap method to keep out labor unions. Others, however, established a clear record of accomplishment and measurably improved the working life of employees and at the same time delivered smoother, more productive employment relations for the companies.

One of the most important accomplishments of company unions was to curb the arbitrary power of the foreman (Ching 1973; Jacoby 1985). Up to the early 1920s, few firms had personnel departments or standardized employment policies. Rather, the typical arrangement was that the plant superintendent delegated to the foreman of each department or labor gang the authority to make all personnel decisions, such as hiring, rates of pay, discipline, and discharge. The foreman's decision on these matters was typically the final word. The result of this type of decentralized personnel system was rampant labor unrest due to numerous examples of favoritism, arbitrary differences in pay and work assignment, few safeguards against abusive treatment or excessively harsh discipline, and constant job insecurity.

Progressive employers came to realize the shortcomings of this way of doing business and attempted to put it on a fairer, more humane and scientific basis. One method was establishment of a personnel department, another was creation of an employee representation plan. An indication of the effectiveness of NERPs in curbing the powers of the foreman was the intense dislike and opposition most foremen had for them (Ching 1973). In particular, the foreman's powers and decisions were circumscribed at two points: the worker(s) could ask the employee representative to intervene in a dispute with the foreman, and at the periodic joint council meeting discussions would be had concerning problems with the behaviors or decisions of particular foremen. This process had its shortcomings and worked more effectively in some NERPs than others, but in the main it contributed nonetheless to a perceptible improvement in work life for employees (see Gray and Gullett 1973).

Both case studies and quantitative empirical analyses reveal that NERPs led to a variety of other benefits for employees (e.g., Zahavi 1988; Fairriss 1995). Examples include rehabilitation of run-down company

housing; improvements in safety, provision of locker rooms, eating facilities, and clean restrooms and drinking water; medical services for employees; legal help; employee magazines; and company sports teams. It is easy in hindsight to dismiss many of these things as inconsequential, tools of management control, or a product of a degrading paternalism, but certainly from the perspective of that day and age even persons sympathetic to the organized labor movement were impressed by the accomplishments of well-run NERPs. William Leiserson (1928:127), also a student of Commons and perhaps the academic person with the most intimate knowledge of the real world of employment relations in the 1920s, stated in this regard, "The unskilled and semi-skilled working people of this country, in the last six years, have obtained more of the things . . . out of employee representation plans than they have out of the organized labor movement. . . . There is even evidence that these workers sometimes deliberately prefer company unions to the regular trade unions. The reason for this preference is that they think employee representation is doing what the unions have failed to do."

Finally, a common criticism of NERPs is that they were powerless to win improvements in wages and hours for workers. Certainly they lacked the bargaining power of an independent union. But companies that created a NERP were also conscious that they represented an incipient union and, in order to keep them loyal (or at least docile), would more readily grant a wage advance, delay a wage reduction, or adjust piece rates or work hours than they would have without a NERP (see Smith 1960; Taras 1997). Indeed, perhaps the clearest example of the impact on wages of management's new labor philosophy in general, and NERPs in particular, was the difference in wage behavior in the 1920-21 depression and a decade later in the Great Depression (Kaufman 1996). In the former, the large bulk of firms quickly started cutting wages when the downturn came, while in the latter the large firms with personnel departments and NERPs maintained wages for two years, even in the face of a sea of red ink.

Company Unions and the New Deal

The evidence indicates that the experience of American workers in the 1920s with company unions was in many respects mixed and ambivalent. Some company unions were largely of the antiunion "sham" variety, while others were progressive experiments in enlightened management and worker participation. Likewise, on one hand workers gained tangible benefits from the NERPs and appreciated management's oftentimes sincere effort to forge better labor-management relations, while on the other hand they distrusted management's motives, chafed at the workers' lack of power and control, and resented paternalism.

Given all these shortcomings, it is nonetheless remarkable that in the course of a single decade leading-edge American employers went from a situation in which they had no formal personnel program or policy to one featuring a professionally staffed personnel department, a plethora of employee benefits, and most remarkably, a joint council where management met with worker representatives to discuss employment and production problems of mutual concern. How was it, then, that half a decade later public and political opinion had turned so sharply against employers and, particularly, the NERPs? The answer rests with the economic calamity of the Great Depression and the New Deal economic recovery program adopted by the Roosevelt administration in response to it (see Kaufman [1996] for a fuller discussion).

The NIRA and Section 7(a). The downfall of company unions is inextricably linked with the Great Depression and passage of the National Industrial Recovery Act (NIRA) in mid-1933. When Roosevelt assumed office, the American economy was on the verge of collapse. Roosevelt's most important, far-reaching initiative was the National Industrial Recovery Act, a piece of legislation partially written by Senator Wagner, sponsored by Wagner in the Senate, and enacted into law in June 1933.

In Senate testimony on behalf of the NIRA, Wagner stated that the Depression was the product of a growing imbalance between supply and demand. During the 1920s, profits grew far faster than wages and caused the nation's ability to produce goods and services to outstrip consumers' ability to purchase them, leading eventually to overproduction and a crash. The initial downturn in 1929-30 was then exacerbated by a series of wage and price reductions in 1931-33 set off by the forces of destructive competition—cuts that intensified the downturn due to cascading bankruptcies and declines in purchasing power.

Given this diagnosis of the cause of the Depression, Wagner and Roosevelt sought to reverse the downturn through a three-pronged attack embodied in the NIRA: stabilization of the wage-price structure in the short run, an increase in household purchasing power and aggregate spending in the medium-long run through a redistribution of income from capital to labor, and a spur to greater capital investment through a large-scale public works program.

The first two objectives were to be attained through provisions contained in "codes of fair competition" adopted and implemented in each major industry. The NIRA suspended portions of the antitrust laws so that employers could work out price and production stabilization procedures through industry associations. In Section 7(a) of the NIRA, it was also mandated that

every code of fair competition establish minimum wage and maximum hours applying to all workers in the industry. And most controversially, Section 7(a) also mandated that every code contain a statement affirming as national policy that workers had the right to join labor organizations and engage in collective bargaining with representatives of their own choosing. Both the minimum wage and collective bargaining mandates were intended, first, to stabilize wages in the short run and, second, to redistribute income from capital to labor in order to augment consumer purchasing power and aggregate demand.

Space precludes a full discussion of the philosophy behind the NIRA and the events it triggered, but the key points bearing on the issue of company unions are these:

• Until the drafting of the NIRA was well underway in the late spring of 1933, scant evidence exists that Roosevelt planned on asking for legislation to encourage collective bargaining (it was not mentioned in his campaign speeches or the 1932 Democratic Party platform) or that the great bulk of American workers had a suppressed demand for union representation (see Wolman 1936; Zieger 1984). Rather, the fact that Section 7(a) was included in the NIRA was due to (a) the conviction of Roosevelt and his advisors that wage stabilization and wage increases were needed to promote recovery, (b) the threat by Senator Wagner that "no Section 7(a), no bill," and the need to assuage the AFL after FDR opposed the federation's pet recovery program based on a maximum 30-hour week.

• The NIRA was launched with great fanfare, including parades and patriotic speeches across the nation. The public was continually told that economic recovery hinged on employers and workers acting cooperatively together so that various economic imbalances could be eliminated. It was thus widely perceived that the Roosevelt administration favored trade unions and collective bargaining, that the NIRA encouraged or even mandated employers to adopt some form of collective bargaining, and that collective bargaining was an important instrument for economic recovery.

• Organized labor, and particularly the United Mine Workers (UMW), touted in speeches and literature that "the President wants you to join the union." Although the NIRA was actually neutral on this matter (Section 7[a] protected the right to join a union but also made clear that workers could join a company union or no union at all), workers nevertheless rushed to join unions—partly for patriotic reasons, partly to promote economic recovery, and partly to redress a growing sense of injustice and disillusionment with employers. The most amazing example was in bituminous coal mining where masses of workers literally self-organized, and within six

weeks the industry went from largely unorganized to almost completely under union contract.

• Most employers did not anticipate the climactic effect that Section 7(a) would have upon labor relations. Given the belated perception of many employers that some form of collective bargaining was now heavily favored, if not mandatory, and their palpable fear of bona fide trade unions, hundreds of companies rushed to form employee representation plans, while others resuscitated NERPs that had atrophied during the Depression. Management representatives candidly acknowledged that most of these company unions were established expressly for union avoidance and were a "fraud" if alleged to serve any other purpose (Ching 1973).

• The progressive employers who had established NERPs in the 1920s battled to maintain the loyalty of their workers to the plans and, where possible, to keep out trade unions. They pursued this through a mixed strategy of strengthening the operation of the company union, selective improvements in wages and conditions of work, and discrimination against union activists. Some succeeded in maintaining the loyalty of their workers, but others saw worker support shift toward outside unions (Ching 1973; Gray and Gullett 1973; Ozanne 1967).

• Employers' rush to install company unions, coupled with widespread discrimination against union activists and refusals to bargain with outside unions, led to a growing adverse public and political reaction. Wagner, in particular, was incensed that employers were not only brazenly flouting the spirit, if not the letter, of the law but by so doing were also undercutting the stabilization of wages and boost in real wages that was in his view the heart of the president's economic recovery program.

• In reaction, Wagner set to work in 1934 to draft new legislation, which subsequently became the Wagner Act, that would strengthen and clarify Section 7(a) of the NIRA. He stated repeatedly that the most serious obstacle to the recovery program was the proliferation of company unions because they thwarted the spread of real collective bargaining—an institution that was vital if wages were to be stabilized and purchasing power increased. His position on this matter is stated clearly in an article he authored in the *New York Times* (reprinted in NLRB 1985:22-26): "The company union has improved personal relations, group-welfare activities, discipline, and other matters which may be handled on a local basis. But it has failed dismally to standardize or improve wage levels, for the wage question is a general one whose sweep embraces whole industries, or States, or even the Nation. Without wider areas of cooperation among employees there can be no protection against the nibbling tactics of the unfair employer or of the worker who is willing to degrade standards by

serving for a pittance." It is noteworthy that even Wagner, one of the most vociferous critics of company unions, admitted that they improved in-plant conditions of employment and relations between workers and management.

• Given the (alleged) inimical effect that NERPs had on wage stabilization and the prospects for economic recovery, Wagner wrote into the National Labor Relations Act Section 8(a)(2) that prohibits employers from "dominat[ing] or interfer[ing] with the formation or administration of any labor organization or contribut[ing] financial or other support to it." Section 2(5), in turn, defines "labor organization" broadly to include "any organization of any kind . . . which exists for the purpose, in whole or in part, in dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment, or conditions of work."

• As interpreted by the National Labor Relations Board and the Supreme Court, the strictures written into the NLRA by Senator Wagner effectively disenfranchised company unions. This became quite evident in the last half of the 1930s as companies were either forced to disband their NERPs, allow them to evolve into independent unions, or see them taken over by national trade unions. A decade after passage of the Wagner Act, NERPs had become extinct for all intents and purposes. That the Wagner Act continues to pose near-insurmountable obstacles to the resurrection of NERPs six decades later is amply illustrated by recent NLRB decisions (see Estreicher 1994), most notably in *Electromation, Inc.* (1992).

Implications and Conclusions

During the 1934-35 hearings on the NLRA, almost every witness who addressed the subject admitted that company unions had a variety of shortcomings and in a number of cases were frauds and shams designed to perpetuate employers' power and control in labor relations. But admitting this, was it also necessary to ban them outright? I believe the weight of logic and evidence suggests "no."

Company domination of NERPs, for example, arose in pre-NLRA days because companies gave workers no freedom of choice in the matter and had no legal compulsion to do otherwise. But does not the NLRA's provision of the representation election process provide employees with exactly this forum for choice, and cannot the NLRB compel employers to submit to such an election? Certainly employers will try to influence worker choice in order to keep out bona fide labor unions (they routinely do this now), but if they do this through "union substitution" methods, the employees are the net gainers, while use of heavy-handed "union suppression" methods can be circumscribed through enforcement of various prohibitions and

restrictions on employer conduct, such as contained in the NLRA's list of "unfair labor practices" (although they quite possibly need further strengthening and elaboration relative to what is now contained in the law). I am not naive enough to think that abuses won't arise, but on the other hand I think employees are smart enough to see through phony employer NERPs and would react fairly quickly, given reasonable safeguards, by voting for the representation of an outside union.

It is also lack of free employee choice that permitted companies to use NERPs to practice the more egregious forms of manipulation and coercion. If employee members of a NERP could readily vote for a labor union as an alternative representational agent, would not the ability and incentive of companies to use NERPs for short-sighted, opportunistic purposes be substantially constrained? Given that some employers will nevertheless fall into this trap through ignorance or greed, isn't it likely that we would see a net, possibly substantial increase in union representation elections and victories?

Besides employer domination, we must also consider the other fundamental part of Senator Wagner's objection to company unions—the fact they were ineffective in taking wages out of competition and in boosting wages and purchasing power in order to promote economic recovery. Space precludes a detailed examination of this issue, but suffice it to note that it is questionable on several grounds.

Accepting, as I do, that the large-scale series of wage cuts experienced in 1931-33 exacerbated the severity of the Depression, does it follow that banning company unions and thereby promoting collective bargaining would have been then or would be now an effective approach to stimulating economic recovery from depression? Certainly from the perspective of modern economic theory the answer is doubtful, as this approach has potentially large, negative effects on the supply-side of the economy (through strikes and cost-push inflation), while it is far less efficacious with respect to stimulating aggregate demand than Keynesian-inspired countercyclical fiscal and monetary policy. And on logical grounds, Wagner's position seems contradictory. If the rationale for banning company unions is that they hinder the ability of trade unions to take wages out of competition, then by the same logic Wagner should have written into the NLRA requirements that the bargaining unit favor industrial unions over craft unions (or even that craft union units be banned along with company unions!) and that collective bargaining agreements be extended to cover all other firms in the industry, per the practice in some European countries.

In sum, the NLRA's ban on company unions is the product of two major contradictions. The first is that American social policy places a high priority on freedom of choice, but employees are denied the opportunity to

choose a company-sponsored and designed form of representation if they so wish—and even when critics such as Senator Wagner admit these organizations provided tangible benefits to both workers and employers. The only legitimate social rationale for this abridgement of freedom of choice is that it is impossible to construct administrative/policy mechanisms that can prevent undue employer manipulation and coercion of employee decision making. A persuasive case can be made that the current corpus of labor law is too weak to prevent this type of manipulation and coercion, but a preferred—and I think attainable—solution is not to ban NERPs but to strengthen the legal protections of free employee choice.

The second contradiction, or paradox, is that Senator Wagner was a principal architect of the National Industrial Recovery Act, which was the New Deal policy that drove employers who otherwise had no interest in company unions to adopt them *en mass* which, in turn, precipitated a national outcry against these "sham" labor organizations and, thus, set the stage for their eventual disenfranchisement in the NLRA. Had the Depression not happened, and had the NIRA not sought to promote economic recovery through widespread collective bargaining, company unions would most certainly still be a significant part of the American industrial relations system. And, I have to believe, not only would these organizations have evolved over the succeeding six decades to provide more of the genuine employee participation and involvement that so many academic and policy experts advocate today, I also have to believe that, on net, the membership and power of organized labor would be stronger today. Those companies that have the management expertise to run a successful NERP are seldom going to be unionized anyway, while NERPs in companies that have ineffectual, greedy, or short-sighted managements will prove to be one of the union organizer's best friends. It was that way in the steel industry in the 1930s (Hogler and Grenier 1992), and the situation is fundamentally no different today.

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DISCUSSION

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The Daphne Taras paper provides a most interesting, detailed and accurate review of the interplay of forces in the Canadian experience during the years of labor movement growth during World War II and in the immediate post-war period. The fact that Canada's prime minister, William Lyon McKenzie King, had earlier served as an industrial relations consultant to the Rockefellers in creating an employee representation model in Colorado was of great significance. His influence was clearly felt not only in maintaining the company union option but in the emphasis on government-managed conciliation procedures in Canadian labor law.

King was also a master of accommodating political pressures. I would consider the contributions to his political campaigns from corporations with a major interest in containing the development of legitimate unions a matter of considerable importance. Taras mentions but does not develop this line of analysis.

I would also underline the role of the Cooperative Commonwealth Federation (CCF), Canada's social democratic political party predecessor to today's New Democratic Party (NDP), as particularly important both in pressuring King on the national front and in pushing for and passing progressive labor laws in the provinces, where the labor laws with much the broadest jurisdiction exist in Canada. The first major breakthrough in improving the Wagner Act model, which had generally been followed in Canada, came with the election of the CCF government in Saskatchewan in 1944.

Labor supporters in the CCF, essentially a farmer-labor coalition party, were not so much concerned with company unionism as they were with removing company influence from the certification procedures. Their belief was that given an unimpeded opportunity to choose legitimate unionism independent of company interference, most workers would make such a choice.

In my view, this emphasis on organizing procedures related to the somewhat different experience in Canada in building the labor movements in the 1930s and 1940s, as compared to the experience in the U.S. Growth

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in Canada was not nearly as explosive as in the U.S. It was much more a process of organizing unit by unit, particularly during the war years from 1930 to 1945, holding that base in a series of post-war strikes in 1945 and 1946 and then continuing along the same trajectory of steady growth.

In this context, improvements in labor law under CCF/NDF provincial governments or as a result of CCF/NFD opposition forces, with a significant boost from the first Parti Quebecois government in Quebec, continued to focus on improving certification procedures and restraining the power of employers to interfere. The Canadian labor movement was confident that as workers were provided opportunities for free and objective choice, the legitimate labor movement would grow and company unions would largely disappear.

To a significant degree this is precisely what has happened. Most of the company union bargaining units mentioned in the Taras paper are now represented by the mainstream labor movement, including Atlas Steels as of a few years ago and, most recently, one of the refineries of Imperial Oil. The province of Alberta remains something of an exception to this generalization, but the paper's conclusion that company unionism is largely a dead issue in Canada is entirely correct.

Daniel Nelson provides a very straightforward account of company union history in the United States. He makes it clear throughout that although there was some felt need for improving employees' morale and exercising some restraint over excessively authoritarian practices by foremen, managements' major preoccupation in their company union activities was with the union question. Their principal purposes were to avoid, not encourage, real unions and to restrain the labor movement.

Nelson presents a most interesting review of the principal employer responses to the "new orthodoxy" of collective bargaining in the 1930s and 1940s. Collective bargaining was embraced by some, such as U.S. Rubber and U.S. Steel; "converted" by others into so-called independent unions; and totally resisted by the most intransigent.

The strategy of total resistance is very much with us to this day. I participated in a business school debate last year around the issue of whether Sloan's decision to recognize the UAW at GM was a major error, with some arguing that he should have maintained a strategy of resistance. The author's conclusion that employers have "largely dictated" the way which these roles have been played out is clearly appropriate.

Bruce Kaufman's paper tells a more detailed and a more subtle story. He would have us believe that union avoidance was not a primary motive in the development of company unions in the 1920s. I have a great deal of difficulty with this interpretation in view of the overall historic record of

unrelenting hostility to real unions by American employers, as exemplified by Carnegie at Homestead in 1892, by the smashing of the nationwide steel strike of 1919, and by employer behavior in the overwhelming majority of union organizing campaigns to this day. Undoubtedly, there must have been some element of progressive ideas in the employer company union activity of the 1920s, but it is difficult to imagine such activity not being very much in the context of concern with real unions. Indeed, in affirming the accomplishments of company unionism, the paper confirms that they represent "incipient unionism."

Our experience in the steel industry has been that the company unions created during the CIO insurgence of the 1930s—for example, at Middletown, Ohio; Wierton, Ohio; and Butler, Pennsylvania—have become to a large extent truly independent unions over the succeeding years but entirely within the framework of the collective bargaining accomplishments of the United Steelworkers of America (USWA) across the industry.

I would also argue that the Roosevelt/Wagner hypothesis that union recognition and collective bargaining would be a significant element in solving the Great Depression was much more relevant than Kaufman suggests. Within this context, banning company unions because they prevented genuine collective bargaining was entirely appropriate since it was the insidious, employer-driven spiral to the bottom which needed to be contained.

That really brings us to the point. The cards are now so stacked against workers in exercising their right to organize. Employers are permitted (both within and outside the law) opportunities to harass, intimidate, and interfere. What possible reason can there be to permit them the use of yet another instrument, the legalization of company unions, by which to deny workers access to free collective bargaining?

Witness the public sector to see the results of organizing efforts in circumstances in which the employer's antiunionism does not exist or is much more restrained. Does anyone doubt that if current employer interferences did not exist in the private sector, thousands upon thousands of workers would organize? Certainly employers and their consultants seem to have little doubt in that regard.

Kaufman advances an "unattractive unions" hypothesis. The evidence, I suggest, is all to the contrary. American workers have created institutions and a movement which by any measures of integrity, commitment, or social concern stands at the forefront of our society. They are, of course, institutions composed of human beings and therefore are not perfect, but they can more than hold their own in any comparison and have throughout their history demonstrated a remarkable ability to survive the most ferocious assaults and recreate themselves over and over again.

We have now had more than one hundred years of union avoidance, union undermining, and vicious attack strategies. Yet the Roosevelt/Wagner approach to the Depression did demonstrate an alternative theory that labor and collective bargaining would be good for America, the efficacy of which theory underlay a generation and more of prosperity and dramatic improvement.

It is in the reality of the accomplishments of genuine collective bargaining that the Canadian and American experience come together. By the path of preventing employer interference with the worker's right to choose genuine trade unionism, Canada has for the most part left company unionism behind. The U.S. should do so as well and not be attempting to recreate it and provide it with yet another life. The concern of those who truly care about fundamental democratic freedom of choice should be to encourage freely chosen, truly independent real unions, not to pursue a strategy open to additional and potentially even greater manipulation by employers.

IX. NEW DEVELOPMENTS IN EUROPEAN INDUSTRIAL RELATIONS

New Developments in Spanish Industrial Relations

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Industrial relations in Spain have generally been described by international economic analysts as very rigid due to the number of requirements and restrictions imposed on companies regarding their obligations toward their employees. This rigidity emanates from the abundant government regulation concerning minimum standards, as well as from the stance of very powerful unions at the highest levels capable of mobilizing the masses; both of these forces tend to block business initiatives. Paradoxically, actual union membership is very low in Spain (around 15%), which itself may be the consequence of two factors: (1) broad legal powers are given to the elected representatives (workers' committees) in each workplace, who in effect assume the role of the union, since they have the authority to enter into collective bargaining and to call strikes, and (2) because collective agreements apply to the entire workforce independently of union membership.

Of the three existing models of industrial relations in the developed countries—adversarial in the United States, participative-negotiative in Europe, and participative-hierarchical in Japan—Spanish industrial relations have naturally moved toward the European model, with worker participation in the running of the company coming through consultation with the workers' committees and/or the unions themselves. This began in the 1970s when Spain was repeatedly among the countries with the most strikes and was marked by the end of the authoritarian regime of General Franco in 1975 and by the birth of a system of free and direct contacts

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between management and unions, whose balance was as yet undetermined. Twenty years later, a mature system of industrial relations is being achieved, bringing with it more fluid collective bargaining and an 85% reduction in actions in 1995 over the previous year, but old-style interventionist practices still remain.

The situation has changed to a certain degree following the legislative reforms of 1994, which were expanded in the following years. Generally speaking, industrial relations in Spain over the last three years could be described as a "mix" of flexibility and discipline or perhaps of liberalization and structuring, which by coordinating two apparently contradictory forces—one centrifugal, the other centripetal—makes Spain a unique laboratory for experiments in industrial relations. What is interesting about this laboratory is not only to see to what degree a system of industrial relations—a stable one—can be achieved given those ingredients but also to see how the Spanish experiments are being followed in Latin America.

In the following pages we will analyze the vectors of flexibilization; the rationalization as a result of collective bargaining at the national level; some of the distortions produced by nationalism; and lastly, convergence as a result of European Union (EU) mandates.

Legally Mandated Flexibilization

For the sake of clarity, I will distinguish between *external* flexibility, how people enter the company (hiring) and exit from it (firing), and *internal* flexibility, which deals with the mechanisms regulating the way work is carried out.

As for hiring, until recently businesses were obliged to turn to the National Employment Institute (INEM) to hire workers from those included in the unemployment rolls, although if a qualified applicant were not found, they would then be free to hire whomever they wished. In fact, the real intent of the INEM was to keep track of the unemployed at any given time because it is also charged with paying out unemployment benefits, 70% of prior salary for a maximum of two years (for those having paid into the system for six years). Companies were required to interview the unemployed candidates sent them by the INEM before hiring the person they considered ideal for the job, purely as a control mechanism. After some minor changes, the final reform has broken the monopoly of the INEM by authorizing both temporary employment agencies (ETT), which provide their employees to other firms on a temporary basis, and placement agencies, which find jobs for the unemployed. Both are subject to public control and must periodically provide the INEM with lists of applicants placed, including the names of those who have turned down job

offers along with their reasons. Numerous national and international ETTs have commenced legal operations in Spain since then, along with many placement agencies generally run by town halls, churches, and unions.

The legislation concerning "atypical" contracts has also changed. Until 1994 duly justified temporary contracts were permitted, as well as those aimed at "job-creation" with certain requirements as to minimum and maximum duration. Thirty-five percent of the workforce had these types of contracts—while the average in Europe was 10%—and practically all new contracts (97%) were of these types. This, however, did not lead to greater employment but to greater uncertainty and insecurity for the worker. Thus the Spanish market suffered three serious banes, these being just the opposite of the three sacred treasures of the Japanese: during the 1980s Spain was the European country with the least degree of job security and the highest unemployment and accident rates. The reform has brought a reduction in the Social Security contributions for those working fewer than 12 hours per week (the usual workweek in Spain is approximately 38 hours) and for apprentices, for whom employers now need only pay $30 per month in Social Security contributions, as opposed to an average of about $500 for "ordinary" employees.

Since the reform, employment numbers have turned around in Spain due probably to the measures mentioned above. Recent employment figures are up and the numbers of jobless down. Additionally, permanent jobs have increased, now making up half of new contracts. This is wonderful news for Spain because in recent decades strong economic growth has not led to job creation.

With regard to firings, management has done everything in its power to reduce the amount of compensation they must pay when they dismiss an employee without sufficient cause (45 days' pay for each year in the company, up to a maximum of 42 months' wages) or when the reason for the dismissal is not attributable to the employee (12 days' pay per year, up to a maximum of 12 months' wages). They have not achieved this, but the reform has benefited them in another regard, widely taken advantage of by some but questioned by others. This regards administrative and judicial control over dismissals not based on workers' behavior or, to put it in another way, those owing to a crisis in the company. For these dismissals 12 days' pay per year worked is still the rule, but its use has been made easier in two ways: (1) the legal concept of crisis is now defined as a "negative economic situation" in the firm without further detail, and (2) the veracity of the data justifying the layoffs only comes under public scrutiny when dealing with large numbers of them surpassing established limits: more than 10 workers in companies with less than 100 employees and progressively

higher for larger firms. As in Spain, 90% of companies employ fewer than 10 workers. This means that administrative control all but disappears for all but a small number of large companies. In normal cases, whether it be one dismissal or several, the employee is obliged to go to court.

Regarding internal flexibility, before the reform any change the businessman wanted to make in his activity was usually regulated "contractually"; substantial modifications of timetables, working hours, or tasks to be performed had to be agreed to by the worker or at least be authorized by the workers' representatives or, in extreme cases, by the authorities. Now, changes that "improve the situation of the company" and affect fewer than 10 workers in companies with up to 100 employees (or a greater number in larger firms) are exempted from obtaining such consent. This, in effect, covers virtually all Spanish firms, as we have seen in the previous case. This same exemption applies in cases of transfers of employees with the same numerical limits that have been cited.

A mechanism for collective flexibilization regarding salary has been put in place. If the company is losing money, it can negotiate with the workers' representatives an "unlinking" from the standard wages agreed in the corresponding contract, a possibility which has been criticized because in practice it could weaken collective bargaining agreements.

Structuring through Collective Bargaining

We have just seen the decline in administrative interventionism in hiring and firing practices. However, the whole of the Spanish system of industrial relations was strongly conditioned by forms of public intervention, namely through the legal and judicial systems. To be clear, a mature system of industrial relations did not exist because collective bargaining agreements were completed by government structures and noncompliance of agreements was a matter settled by the courts. Between 1936 and 1976, the state had promulgated a series of rules concerning working conditions which in 1994 still affected certain areas like wage structure, misbehavior and sanctions, or professional categories. According to Law 11 (1994), the elimination of those rules was to be dealt with in nationwide collective bargaining agreements. This complex task is still in its final stages, but out of it has come a proliferation of so-called structural agreements, that is, collective agreements which organize collective bargaining at the lower levels. This had been permitted by law, but the unions preferred not to make use of it. In Spain more than 4,000 collective agreements are signed each year at all possible levels: in the company or at the local, provincial, regional, or national level. This inevitably leads to conflicts between them, and this is precisely what makes structural agreements so necessary. Their widespread

use during 1995 and 1996 has solved many problems, although we do not yet know if others have been created. These "superagreements" regulate main negotiation points, and agreements at lower levels are obliged to respect them. They also define other areas which must be addressed and some which must be left unregulated. The law establishes the primacy of the "superagreements" over the provisions of lesser ones, enabling any union or businessmen's association to challenge wildcat agreements in court and have them voided.

The legislative presence of the state has been diminished to a great extent by the disappearance of the rules promulgated during the dictatorship, but a whole battery of rules from the 1980s remained. These have gone through a similar but even more drastic process of reform; many have been repealed with the corresponding regulation now coming under the collective bargaining agreements. This has been called by an expert in these matters "the great decanting." Clearly, the legislator has been very careful not to simply repeal the public rules, since this would surely have led to an increase in the power of the individual company owner. The aim was to limit public intervention but also to maintain a certain order, guaranteed through the participation of the social agents and through collective bargaining. Furthermore, the handing over of this regulatory role has been done in such a calculated way that some matters are subject to sectorwide negotiations, while others are left to company-level negotiations, a division which has undoubtedly benefited the company level. It is not easy to understand the wide range of functions and collective instruments the legislator has provided through the reforms adopted, and only after a few years will it become clear whether the complexity of the changes has been useful or, on the contrary, whether one kind of asphyxiating interventionism has been replaced by another.

The judicial interventionism that existed was more respectable than its administrative counterpart and was more in line with the wishes of the affected parties than were the legislative rules, but it also hampered the establishment of a mature system of industrial relations. The courts for social affairs are well respected and are widely appealed to by large numbers of workers, unions, and businessmen to resolve their differences. The reform now makes obligatory or permits (according to the case) autonomous proceedings instead of judicial intervention to resolve collective conflicts. For example, all collective agreements must designate a bilateral commission to resolve conflicts that may arise regarding their implementation and must also determine the manner of resolving the conflicts which may arise within the commission! Additionally, all the procedures for the election of individual worker representatives (elections are held in more

than 200,000 companies every four years) are subject to the decisions of a group of arbitrators named by the most widely representative unions. As a result, few cases in this area are brought before the courts.

It is not only the law, however, which has redirected the resolution of industrial conflicts toward arbitrators. Procedures for mediation and arbitration of many cases have been included in the "superagreements," and at both the national and regional levels there are agreements between union and management confederations that advocate extrajudicial solutions to conflicts. Among these, the most important is the ASEC, signed in January 1996 to deal with nationwide conflicts. It provides for mediation in collective conflicts, including strikes, establishing that between the call for mediation and the calling of a strike there must be a period of at least 72 hours. Likewise, arbitration is provided for, although in a more restricted manner: it must be at the request of both parties, and for this eventuality a list of arbitrators is drawn up and government financing is called for.

Structural agreements for government employees have also been reached. Since 1987, and especially since 1990, laws regulating collective bargaining between the public administrations and their employees have been enacted. This seemed inevitable since the administrations themselves had been negotiating with their workers since at least 1980. In countries with no history of it, this system with two distinct types of personnel in public administrations, on the one hand functionaries—subject to public law—and on the other ordinary workers—subject to private law—is almost incomprehensible. In Spain the public administrations began to hire ordinary workers for manual jobs many years ago, but at present they can be found at all but the highest levels. Their contract and union-oriented regimen has impregnated the public administrations and the functionaries' hitherto more hierarchical regimen. The change of attitude has been rapid, and at the beginning of the nineties the number of collective agreements being negotiated in the public sector was so great that at the end of 1991 a "superagreement" to structure collective bargaining in the sector was signed between the administrations and the two largest union confederations. It was followed in 1994 by another which provided uniform regulation of the most important working conditions. Neither of these agreements make a distinction between functionaries and ordinary workers but cover all public employees. As one author has commented, "Thus begins a stage in which the structuring of work in the public sector will be the result of collective bargaining rather than a unilateral imposition."

Collective bargaining at the highest level is not limited to structural agreements or "superagreements" but also enters the political arena with neo-corporative formulas that have reemerged after a ten-year period during

which the predictions of Steek and Regini regarding social concertation at intermediate levels (mesocorporatism) or at company level (microcorporatism) had come true. Surprisingly, the nineties are witnessing a rebirth of macro-concertation in Italy, France, Germany, the EU . . . and also in Spain, after it was presumed dead. In most cases, it is the crisis of the welfare state which has led to the need for consensus between the unions and the businessmen's associations regarding the introduction of drastic laws reducing the level of protection, while at other times it seems due to the fact that the unions are better positioned in the nineties than in the eighties. When the government plans reform, it prefers to first ensure the support of the social agents, even at the cost of limiting the reach of the reforms, rather than passing legislation in the face of their opposition. Hence the paradox that the last three concertation agreements on limiting pensions and worker subsidies were signed in 1996 by the conservative president of the government and the secretary generals of the two major unions (one Marxist and the other Social-Democrat) without the participation of management.

Nationalisms and Industrial Relations

Spain's seventeen autonomous regions, with their respective legislative bodies and governments, constitute something more than mere political or administrative districts. They reflect historic and cultural diversity—five languages are spoken—but above all economic diversity. There are wealthy regions, those nearest Europe, and poor ones, those furthest from it or on the periphery. Something similar is true of Italy, Belgium, and Great Britain. In the last few years the differences between regions has led to an attempt to create independent systems of industrial relations in the Basque Country and, to a lesser degree, in Catalonia. Labor relations councils have been set up, regional "superagreements" for the extrajudicial settlement of disputes and for worker training have been signed, as well as a host of other initiatives which have immediately been *cloned* by other regions and at the national level. Regional governments have also taken control over some public services, such as employment, worker training and public health, though they have not achieved their ultimate goal, which is to manage the immense resources of the public pension system. Many of us believe that Spain has historically been a federal state and that it should become one again, even at the expense of creating wider disparities in employment, wages, and in wealth between the south (Andalusia) and the north (Catalonia and the Basque Country).

Faced with these attempts to regionalize the situation and supported by the political parties and the unions of the richer regions, the national union

and businessmen's confederations are offering resistance through the creation of structures and parallel superagreements nationally. Everything is up in the air, but it is very likely that decentralization will be achieved without a rupture occurring. The reason is that above the state, the EU is consolidating itself as a federal power whose structure is linked to the states in the first place and to the regions in the second.

The European Union

By the Treaty of Maastricht of 1992, the fifteen member states agreed to the strengthening of economic and monetary ties by 1999 and the creation of a central bank and a unified currency, the "Euro." The planned economic and monetary union has led to five strong convergence criteria which must be met by 1997, and this in turn has led to strict policies of adjustment in all the member countries, since not even Germany or France meet the majority of the criteria. Spain is making enormous efforts to reduce its inflation rate and public deficit, with deep cuts in all areas of public expenditure from health to education. One of the most unpopular measures has been the freezing of wages for public employees at 1996 levels in spite of a projected inflation rate of 3%. Numerous demonstrations have been held in cities all over Spain during parliamentary debate of the national budget, including a massive strike on December 11, but demonstrations have not changed the situation: the adjustment required for convergence in the EU is turning out to be costly in all countries, with a cooling of their economies that is being criticized by some well-known business leaders, but which is also having beneficial results, such as increased exports and lower public deficits. Convergence with the legislative rules coming from the EU has been less bloody. In labor matters the EU sets a series of objectives, and each country must formulate its own laws to achieve those goals. European rules are of particular importance in the areas of health and safety in the workplace, working hours, and European workers' committees. The Spanish Parliament finally passed a far-reaching health and safety law in November 1995, which sets strict requirements to protect workers' health and lives but which has not been sufficient to meet the objectives established. As a result, the EU's executive body has denounced Spain for not meeting seven objectives, which could lead to sanctions being imposed by the European Court of Justice. With regard to European goals for working hours we have been more diligent, and the government issued a very satisfactory Royal Decree in September 1995, even though not all the objectives are lax; Britain, for example, has objected to the 48-hour maximum work week, since one-third of its workers work longer hours.

A European directive of 1994 regulates the constitution of central workers' committees in multinational firms having a total of 1,000 employees and in firms doing business in two or more European countries and having 150 employees in each. In Spain we have not been reluctant to apply this directive, not only because Spanish multinational firms are not numerous but especially because workers' committees have existed here for a long time and employers have learned to live with them and even use them against the unions. European rules set 1996 as the deadline for each country to pass enabling legislation, and in this case Spain will have no problems since the corresponding bill is currently being debated in Parliament and seemingly faces no opposition.

New Developments in French Industrial Relations

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At a general level, it should first be noted that on one hand, France is not a country of common law but of written law. On the other hand, it is a country of industrial and plural unionism, where unions compete for members at all levels and across all economic sectors. Each central union seeks to represent potentially all wage earners. Furthermore, there is no such thing in France as codetermination in the German sense.

More specifically, contrary to the U.S. system where the collective bargaining agreement plays an essential role, in the French system labor law is statutory law and the employment contract is between the individual employee and employer. The individual contract governs dismissals and resignations within statutorily defined parameters. Again in contrast to the U.S., there is no concept of exclusive representation of bargaining units. Collective agreements become part of individual employment contracts automatically, regardless of whether the employees of the signatory employer(s) or employer association are union members or not.

Traditionally, employer organizations and unions in France are much weaker than their European counterparts. Both employers and organized labor have developed radical and opposing ideologies. In particular, France is characterized by a weak, ideologically divided labor movement with an emphasis on political action that is automatically radical in a time of conservative rule. While it has an uneasy relationship with unions, the state plays a powerful role and has come to strongly rely on the unions while at the same time theoretically opposing the union in the state's capacity as a public employer.

Within this broad framework, industrial relations is characterized by additional features. It is based on conflict and includes an intricate system of employee representation as a result of the cumulative layers of institutions Parliament has established to appease opposing factions. Union (and employer) representatives have been integrated into many advisory or decision-making governmental or quasi-governmental bodies. As a result, unions

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have become highly institutionalized over the years and have acquired legitimacy through their network of representative activities (either by election at the plant level or appointment at the government level) and their role as management opposition rather than by recruiting and keeping members.

In addition, the right to strike does not belong to the union but to the employees themselves and is constitutionally protected. Therefore there is neither a peace obligation nor wildcat strikes. The duality of conflict and representative institutions is not contradictory. Actually, the representative institutions, notable at the plant level, evolved as a compromise to give employees some representative voice in the face of employer denial of union representation on the shopfloor. The most significant collective agreements have traditionally been at the sectoral and industry level (with an emphasis on interindustry agreements) and have functioned more as armistices in an ongoing war than as a system of mutual agreement.

Recent Trends

Although traditionally low, the rate of unionization in France has decreased markedly. The general consensus has been that it is now at an all-time low of 8% to 9% and has little prospect of increasing or even stabilizing. This decrease applies to all unions in all sectors of the economy, including the former stronghold of the public sector. The reasons for the decline are well known and exist in other European countries as well but less intensely (Rojot 1988). A specific reason for the decline in France is the lack of benefit for an individual to join a union. An employee will enjoy exactly the same benefits whether or not he/she is a union member, including the statutory protection of social security and welfare, the protection and benefits of normative labor law, the terms of any collective agreement, and access to labor courts for the redress of grievances.

With the rise to power of the socialists in 1981, government attempted to strengthen the already weakened unions. Legislation passed in 1982-83 resulted in important changes: employees were given an individual right to express themselves independent of the union and employer to be implemented by collective agreements. A duty to bargain annually was imposed on the employer at both the sector and enterprise levels. Provisions were enacted to ease implementation of employee representation mechanisms, as well as to enlarge their right of consultation on economic matters. New representative institutions were created at both the group or holding level and for small enterprises operating at the same site. These changes failed in their objective to reduce the declining rate of unionization.

Moreover, the decline in unionization has been further spurred by the continuing conflict and denial of legitimacy between union and management

and internally within the unions. Union membership has been reduced to little more than activists, most of whom were trained in the traditional system and are unreceptive to change. The already weakened unions lack the means of expertise, time, or skill to respond in a positive way to any proposal or issue. They tend, therefore, to rely even more heavily on the traditional views of the remaining militants.

It should be stressed that weak unions result in weak works councils and vice versa. The two institutions do not substitute for one another but mutually support each other. In the absence of a strong union movement able to exert pressure on employers for better working conditions and methods of production, the works council, which has the right of information and consultation, becomes the best tool for communication with management and employee involvement. Without works councils and their legally enforceable rights to information and consultation, unions lack important information regarding the firm and do not have a strong foothold in the enterprise.

The decline in unionization is generally acknowledged as a major issue. It is particularly critical at the enterprise level where the most progressive employers now worry about the lack of valid "partners." A few companies, for instance, have introduced the "union bank check," where employees are given a "check" in addition to their wages which cannot be cashed but can be endorsed to a union or charity. The "check" does not constitute a dues check off and is lawful. The public sector—once the most heavily unionized—is losing members at the same rate as the private sector. The efforts of the most progressive union leadership have not been effective at the grassroots. Data suggest that members are not leaving one union for another but are leaving the union movement altogether. Membership is particularly low among youth.

Statistics from the Ministry of Labor (Ministére du Travail 1993a) indicate that the number of union delegates (which reflects union enterprise representation) mirrors the same decline over the years as that of unionization. Prior to 1987, 57.1% of enterprises with more than 50 employees had at least one delegate (all union centers included). In 1987 that number dropped to 55.1%, and in 1989 it fell to 50.7%. Even more striking is a 1993 Parliamentary Report (Coffineau 1993) that shows employers strongly underestimate the number of union delegates present in their enterprises. This reflects the decreasing influence of unions, even where theoretically present on the shopfloor. It further demonstrates that even where strongly institutionalized, unions must not only fulfill a bureaucratic function but must recruit and maintain a membership.

The effort to encourage negotiation in the same way was also short-lived and ultimately failed (Delamotte 1987). The "right to expression"

granted in 1981 never really took hold. For a time the number of collective bargaining agreements rose at the sector and enterprise levels and some thought that a "dynamic" and a "learning process" of negotiation could be observed. However, research has shown that the actual effect was extremely limited. At the sector level, collective agreements, as in the past, by and large continue the statutory provisions which are compulsory anyway. Only one employee out of five is covered by an enterprise-level agreement (in addition to interindustry and sectoral level) and their contents have little substance. More than 55% of the enterprise-level agreements are only wage settlements that adapt increases in the minimum wage, and 40% are working-time agreements that take advantage of legal provisions allowing "modulation" of work hours over periods of several weeks. Only a very small minority of the agreements deal innovatively with subjects such as training, organization of work, productivity, etc. (Ministére du Travail 1993b). Profit sharing and gain-sharing agreements (the latter is markedly on the increase) are dealt with separately under different rules and may be signed by the works council rather than the union representative.

All of these elements paint a rather bleak picture of the status of French industrial relations fifteen years after laws were passed to overhaul the system. However, it should be noted that on a case-by-case basis the situation is quite varied and shows limited signs of promise. Innovative practices have been implemented in some small and medium enterprises with the involvement of employees where management has felt the need to improve industrial relations conditions and meet new expectations of employees. However, it has occurred outside the purview of labor law and cumbersome regulations, where unions are absent, and practices ignored by the statutes (such as employee referendums, employee involvement in production decisions, and employee councils outside regulated areas) are present. Since 1986-87, the use of gain-sharing agreements has grown, primarily in small and medium firms (Rojot 1993). These agreements are provided for by statute and differ from regular collective agreements as well as from compulsory profit sharing. Gain sharing joins the more sophisticated human resource management techniques, including performance appraisal and individual pay for skill, employed in many large and some medium-sized firms. In some large enterprises with employee and union representatives and enlightened management, progressive agreements have been adopted in several areas, including union extended rights (insurance industry), training and qualifications (auto industry), career advancement for semiskilled workers (auto and banking industries), and employment guarantees. In small and medium-sized firms, where agreements are signed locally, a take-it-or-leave-it system of local bargaining has taken hold with weak or no

union presence. In some medium-sized enterprises with a strong union present, some concession bargaining has exchanged the guarantee of employment for wage concession or new working time arrangements (e.g., introduction of night shifts, workweek adjustments, reduction of overtime, etc.). Interestingly, it has been shown that the strength of a union is not necessarily correlated to its size. Research by Le Maître and Tcobanian (1991) indicates that while unions are absent most often in small enterprises and present in most large enterprises (where they tend to be virtually institutionalized), they are often strongest in larger mid-sized enterprises (200-500 employees) with certain characteristics (skilled but not highly skilled work, homogenous community, strong work ethic and job traditions). Finally, the rate of organization in the public sector is relatively higher than in the private sector, notwithstanding the events discussed below.

Most Recent Developments

If one adds other factors to the above described evolution, the strike rate was generally expected to remain very low. Those factors include a very high unemployment rate (above 12%), particularly among youth, the unskilled, middle aged (losing a job after age 50 is a virtual guarantee of never finding another one), and long-term unemployed; a mounting degree of job insecurity; and the relative flexibilization (compared to the U.K., for instance) of working time and the labor force (an increased percentage of short-time, part-time, and temporary employees). And, in fact, the strike rate was very low until the mid-1990s. A few exceptions were strikes to protest plant closures or workforce reductions (with little or no effect), minority or wildcat strikes in some plants on specific issues (such as at Air France), short work stoppages in public services or general work stoppages called by national unions to protest government policies (with little impact).

However, a call for a one-day "national" strike on October 10, 1995, against a public sector wage freeze resulted in a larger mass action than usual. It was followed by a massive railway and subway strike in late November and December over reform of the social security system for railway workers. A similar reform in preceding years in the private sector had gone largely unnoticed. The conflict, however, was limited to the sector in which it started. Calls for its expansion had a limited ripple effect, and strikes took place in about 70% of the mail sorting centers (postal employees), the railroads (drivers), the Paris subway, buses, and some provincial bus systems. Except for token support, the rest of the country was at work or tried to work notwithstanding some limited wage or employment-related conflicts. The conflict ended when the government gave in to most of the demands.

Approximately one year later, a similar conflict broke out, although general conditions had changed little. This time the teamsters demanded early retirement (at age 55) and improved wages and working conditions. The road transportation industry (made up of mostly small and medium-sized employers) had been hit hard by the economic slowdown and was notorious for health and safety violations as well as low wages and poor working conditions. After ten days of the employees using their trucks to block access to several major cities and almost all gas and petrol supply centers without any government intervention, the conflict ended in complete victory for the strikers. The employers' association gave in under strong government pressure, and government funds were allocated to help meet the demands.

An extremely interesting new picture is thus emerging on the industrial relations scene in France in conjunction with three factors: (1) the condition of the labor market, (2) the powerlessness of unions, and (3) the new types of conflict. Unemployment has, indeed, dampened the strike rate in France, and other labor market conditions, such as short-term employment, lack of enforcement of statutory provisions against unlawful dismissal (particularly in small and medium firms), are not conducive to conflict. However, since early 1995 all economic indicators (with the exception of the rate of employment) are generally improving. Notably, the rate of economic growth has picked up, and businesses have reconstituted profit margins. Unions and workers in all sectors have taken notice and are more inclined to push wage demands. Although there is a general climate of uneasy industrial peace, some islands of conflict have emerged.

On the one hand, the public sector is ideal ground for conflict with its lifetime guarantee of employment. The impact on the public and the media is also assured and very often days of work lost due to a strike are silently paid after work is resumed. On the other hand, last year's conflicts occurred in sectors where the inconvenience to the general public was the greatest and the pressure to settle or assist a settlement were heavy on the government due to the impact on the economy.

In both the railway strike of 1995 and the teamsters strike of 1996, public opinion globally favored the strikers despite considerable hardship on travellers and commuters. Although support was not as wide or strong as the media made it appear, some journalists wrote of "strike by proxy."

There was also a political component and motivation for the strikes. They occurred in a climate of general unpopularity for the government. The 1995 railway strike occurred shortly after a presidential election won by a conservative. Similarly, after the 1986 legislative elections, a three and a half week strike of the railroads and Paris subway occurred.

Lastly, a new role for unions is observable. Neither of the two large strikes was called by the unions. The strikes were initiated at the grassroots and conducted by ad hoc committees at the instigation of activitists inside and outside the union rank and file. The latter category includes fringe political parties of the extreme Left such as the trotskyite "lutte ouvriére." The unions were later called in to help negotiate but were careful to submit all decisions to a vote of the strikers. In both cases, even after the agreements ending the strikes were signed, they declined to call the employees back to work, leaving the decision to resume work to local ad hoc committees. Journalists here referred to "taxicab unions," used as a vehicle by grassroots strikers as a way out of conflict.

Conclusion

The future of French industrial relations is less than clear. The old French model—union activists with few members but with the mastery of representative institutions and the control of an electorate to be sufficiently representative—is crumbling. There is now no contact between them and the grassroots. Furthermore, the notion that there is a "withering away of conflict" in "post-modern" industrial relations is an illusion. The impression is that French society is profoundly divided, not along the traditional lines of the conservatives and the Left, but between a well-educated group receptive to change and international competition (growing as the European Union becomes more of a reality) and a segment that feels uneasy about the internalization of the economy and the fact that France no longer has complete control over its fate. Threatened by deregulation, the public sector falls partly in the latter group, though not entirely, nor by itself.

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X. REFEREED PAPERS— LABOR AND EMPLOYMENT LAW

Employment Arbitration: Differences between Repeat Player and Nonrepeat Player Outcomes

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Employment arbitration is emerging as a controversial method for resolving disputes between employers and employees not represented by a union (Commission on the Future of Worker-Management Relations 1994; Bethel 1993). While an earlier study found only 4 of 111 employers used outside arbitration in 1991 (Feuille and Chachere 1995), by 1995 the GAO found that 10% of all employers with 100 or more employees use binding arbitration for employment disputes, and as many as half of these may impose mandatory arbitration as a condition of employment (GAO 1995). The use of employment arbitration continues to grow. Proponents argue that it will provide an expeditious, low-cost means for employees to get a hearing on statutory, contractual, or other claims arising out of their dismissal; they argue this is superior to no hearing at all or, in some cases, to protracted litigation (Siegel 1997 [advocating voluntary, not mandatory arbitration]; Miller and Poe 1995; Kaufmann and Chanin 1994). In general, critics argue that mandatory arbitration is a new corporate tool used to advantage by large companies against consumers, employees, and other "little guys" (Sternlight 1996). Commentators in the press have reported claims that employment arbitration will disadvantage women because the panels are predominantly comprised of male arbitrators (Jacobs 1995). In particular, critics caution that in the absence of a union, the process is skewed against the employee, particularly the unrepresented employee (Wallihan

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1996; Rabin 1991; Maltby 1994). Some have expressed concern that employers, as institutional repeat players who will use the arbitration process for multiple cases, have an advantage over employees, who are unlikely to use it more than once or twice in their lifetimes (Estreicher 1990).

Theoretical support for this last concern is drawn from game theory, agency capture theory, and concerns expressed by the industrial and labor relations community. In particular, studies show the emergence of implicit cooperation in repeated or iterated prisoner dilemma games (Ordeshook 1986:441-51). One could argue that the employer's selection of an arbitrator and the arbitrator's subsequent award represent the two forms of implicit cooperation in a prisoner's dilemma game. The employer cooperates when it selects the arbitrator for the remunerated work of conducting the hearing and rendering an award, and the arbitrator cooperates back by ruling in the employer's favor. If the employer is satisfied with the arbitrator's award, the employer will cooperate in the next round of this prisoner's dilemma game by selecting the arbitrator for the next employment arbitration case in which it is a party. Although in theory, employees also participate in selection of the arbitrator, in practice, employees have little information upon which to base their selection, and they will generally only use arbitration once or twice in their lifetimes. A given employee will not get fired repeatedly. In theory, it is possible that an employee's lawyer could function as the repeat player instead of the employee. However, blue- and pink-collar employees may not be able to afford counsel, and lawyers may not be getting enough of these cases to emerge as repeat players. Thus for all practical purposes, the only two players in this repeating game are the arbitrator and the employer. Some authors have found that the most effective strategy in repeated prisoner dilemma games is tit for tat, or cooperating until the other side defects (Axelrod 1984); this strategy leads to cooperation without any direct negotiation. The employer and arbitrator cannot legally negotiate an agreement on this result; it represents collusion and grounds for overturning the arbitration award. Thus the situation does resemble the classic prisoners' dilemma.

Agency capture theory in the public sector also suggests that repeat institutional players will have an advantage (Sabatier 1975; Quirk 1981). Specifically, the familiarity that develops between regulatory agencies and the lobbyists for interest groups affected by regulatory policy will influence the outcome (Schlozman and Tierney 1986). The industrial and labor relations community has expressed similar concerns about employers as repeat institutional players (Edwards 1993: 221; Denenberg and Denenberg 1994).

There is substantial research on outcomes in labor arbitration, including grievance or rights arbitration (Block and Stieber 1987; Thornton and Zirkel 1990) and interest arbitration (Feuille and Schwochau 1988; Schwochau

and Feuille 1988). One common method is to examine arbitration outcomes in relation to a variable; for example, some researchers have found gender effects in grievance arbitration (Bemmels 1988a, 1988b, 1988c, 1990). However, there is limited empirical research on employment arbitration. Bingham (1995) found that a one-year sample of 1992 American Arbitration Association (AAA) Commercial Arbitration awards revealed no evidence of a systematic pro-employer bias. That study examined arbitration outcomes in relation to the variables of who filed the claim (employer or employee) and whether the arbitrator received compensation (under prior rules some arbitrators served pro bono). Employees in commercial cases tended to be highly compensated managerial or executive employees represented by counsel, who recovered a greater percentage of their claims than did employers, whether or not the arbitrator was paid a fee. However, Bingham (1996) found that there was evidence that different populations of employees might be using the new AAA Employment Dispute Resolution Rules (effective January 1, 1993) and, in particular, that there were repeat player employers using arbitration pursuant to the terms of unilaterally imposed personnel handbooks or policies. These cases were more likely than commercial cases to involve unrepresented employees who lost a claim involving their dismissal from employment. The sample of employment cases available was too small (n = 28) to do more than identify emerging concerns about due process.

This study examines a larger, two-year sample of employment arbitration awards. The hypotheses examined include:

> *Hypothesis 1*. Employees will win less frequently and/or will recover a lower proportion of their claims (have lower outcome) in cases involving repeat player employers.
>
> *Hypothesis 2*. White-collar workers will win more frequently and recover a greater proportion of their claims (have higher outcome) than blue- or pink-collar workers in employment arbitration.

Method

This study represents a macrojustice assessment of employment arbitration (Todor and Owen 1991). It examines a 270-case sample consisting of arbitration awards decided in 1993 under the AAA Commercial Arbitration Rules (n = 186) and arbitration awards decided in 1993 and 1994 under the AAA Employment Dispute Resolution Rules (n = 84). The total population of awards decided in 1993 under the Commercial Rules and in 1993-94 under the Employment Dispute Resolution Rules consisted of 330 cases,

from which 55 cases were excluded to yield the total of 270 cases in the sample. The 55 cases were excluded on one of the following grounds: (1) essential information was missing, (2) the award represented a settlement or stipulated award, or (3) the case was not an employment dispute but instead a partnership or real estate dispute. During the period from 1993 to 1994, there were no significant, substantive differences between the Commercial and Employment Dispute Resolution Rules, so it is appropriate to pool the cases for purposes of analysis. For each case, the researcher examined where available the demand for arbitration, arbitrator's award, and AAA closing data sheet. Table 1 shows the characteristics of the sample.

TABLE 1
Distribution of Employees and Claims in Repeat Player and Nonrepeat Player Employment Arbitration Cases

	Repeat Player (N = 35)		Nonrepeat Player (N = 235)	
Commercial or Employment Rules				
Commercial	9	(26%)	177	(75%)
Employment	26	(74%)	58	(25%)
Employee Collar Color				
White	10	(29%)	170	(72%)
Blue	15	(43%)	17	(7%)
Pink	9	(26%)	16	(7%)
Unknown	1	(2%)	32	(14%)
Employee Gender				
Male	30	(86%)	189	(80%)
Female	5	(14%)	40	(17%)
Unknown	0	—	6	(3%)
Arbitrator Gender				
Male	29	(83%)	191	(81%)
Female	6	(17%)	36	(15%)
Unknown	0	—	8	(4%)

Independent variables include whether the case is an employer or an employee claim, whether the case involves a repeat player employer, defined as an employer who uses arbitration more than once in the sample (coded 1 for yes and 0 for no), and the amount of the claim or demand. In addition, variables include job category of the employee, specifically whether the case involves a white-, blue- or pink-collar worker. For the purpose of this study, white-collar includes management, financial, real estate, sales, physicians, or similar highly compensated (greater than $40,000 annually in salary) workers; blue-collar workers include manufacturing, food service, and transportation; pink-collar workers include medical-technical workers, clerical or administrative employees, or other nonmanufacturing

employees who earn less than $40,000 annually. Information on job category was found on the demand for arbitration (which asks for job title and basis for claim), in the award of the arbitrator (which may discuss the employee's position and the basis for damages), and from the nature of the company and size of the damage award (if the latter is based on salary).

Dependent variables include the dollar amount of damages (DAMAGES AMOUNT), and the percentage of claim recovered (a ratio of DAMAGES AMOUNT divided by DEMAND named OUTCOME). In addition, a dichotomous variable entitled DAMAGES was created to indicate a win by the claiming party of any amount.

Results

Table 2 shows descriptive statistics on the sample by repeat player and nonrepeat player employer. Although the mean damage award for repeat player cases involving employee claims (EE CLAIMS) is higher than for nonrepeat player cases, this is due to a single outlier award. The median is the better measure of central tendency for the sample. In general, repeat player cases involve smaller stakes and worse outcomes for employees.

TABLE 2
Descriptive Statistics on Repeat Player and Nonrepeat Player Employment Arbitration Cases

	Repeat Player (N = 35)			Nonrepeat Player (N = 235)		
Whose Claim						
EE claims	31	(89%)		201	(86%)	
ER claims	4	(11%)		34	(14%)	
	M	SD	MED	M	SD	MED
Demand						
Overall	$160,678	$327,472	$25,000	$249,669	$794,369	$50,000
EE claims	199,526	360,814	25,000	267,105	840,982	50,000
ER claims	15,000	7,071	12,500	153,771	458,076	22,400
Damages Amount						
Overall	$ 77,066	$261,524	$ 0	$ 69,963	$201,731	$11,027
EE claims	87,178	278,004	0	73,986	213,749	13,402
ER claims	3,750	7,500	0	46,530	107,046	8,438
Outcome (Damages Amount Divided by Demand)						
Overall	.13	.32	0	.47	.73	.28
EE claims	.11	.30	0	.48	.74	.28
ER claims	.25	.50	0	.44	.66	.06

Since the hypotheses are concerned with employee outcomes, analyses were performed on a subsample of the total sample, namely those cases

where the employee is the claimant in arbitration (232/270 cases). Table 3 indicates the lower frequency with which arbitrators award damages in any amount in repeat player cases involving employee claims.

TABLE 3
Damages by Repeat and Nonrepeat Player Employer, Employee Claims Only

	Repeat Player		Nonrepeat Player		Total	
Damages	5	(2%)	142	(61%)	147	(63%)
No damages	26	(11%)	59	(26%)	85	(37%)
Totals	31	(13%)	201	(87%)	232	(100%)

Table 3 shows that employees lose significantly more frequently in cases involving repeat player employers, Pearson Chi Square = 34.39, DF 1, P < .001. Employees also have significantly lower outcomes in cases involving repeat player employers. A one-way analysis of variance using REPEAT PLAYER as the independent variable and OUTCOME (the proportion of their original demand that employees are awarded as damages), was significant, F = 6.53 (DF 1, 213), P < .01.

Table 4 shows that white-collar employees win something in employment arbitration significantly more frequently than blue- or pink-collar employees, Pearson Chi-Square = 47.40, DF 3, P < 0.001. White-collar employees also have significantly higher outcome. A one-way analysis of variance using WHITE-, BLUE- or PINK-COLLAR as the independent variable and OUTCOME as the dependent variable was significant, F = 4.11 (DF 3, 211), P < .01.

TABLE 4
Damages by White-, Blue-, or Pink-Collar Worker,
Employee Claims Only

	White		Blue		Pink		Unknown		Total	
Damages	117	(50%)	5	(2%)	9	(4%)	16	(7%)	147	(63%)
No damages	34	(15%)	26	(11%)	12	(5%)	13	(6%)	85	(37%)
Totals	151	(65%)	31	(13%)	21	(9%)	29	(13%)	232	(100%)

There are significantly more repeat players among the employment cases than the commercial cases, Pearson Chi-Square 34.97, DF 1, P < .001. Similarly, there are significantly more blue- and pink-collar employees in the employment cases than in the commercial cases, Pearson Chi-Square 27.94, DF 3, P < .001. Only 36% of employees had counsel of record appearing in the case file documents in repeat player cases.

Discussion

Outcomes and probably fairness in employment arbitration will depend on what resources are available to the employee as well as the merits of each case. A previous study (Bingham 1995) has demonstrated that where there is a rough balance of resources, for example, between highly compensated white-collar executives represented by counsel and their former employers, there is no evidence of systematic pro-employer bias in employment arbitration outcomes. However, it appears that different populations of employers and employees will be using the new AAA Employment Dispute Resolution Rules. These cases are more likely to involve repeat player employers and disputes regarding the termination of blue- and pink-collar employees (Bingham 1996). Repeat player employers have certain strategic advantages in employment arbitration; they have institutional memory. They can keep records regarding the disposition of prior cases by a certain arbitrator. They can make informed selections from a list of arbitrators. Blue- or pink-collar, unrepresented employees lack this reservoir of information; there is nothing in the employment arbitration process to replace the institutional memory of the repeat player union.

Moreover, there are likely to be differences in the strength of a blue- or pink-collar worker's legal claim. In the absence of a collective bargaining agreement requiring just cause for discipline or an express written contract for a specific term of employment such as that enjoyed by most of the white-collar workers in the sample, these workers are employed at will. Their employment may be terminated with or without cause, provided that there is no prohibited discrimination or other statutory violation. The outcomes described above may simply in part reflect this reality. Most of the awards in the sample follow the commercial arbitration format (for a discussion of the "naked award" tradition in commercial arbitration, see Rau 1997). This means that they are one-page awards which contain no discussion of facts or reasoning but simply award or deny damages and allocate arbitrator fees and administrative expenses. There was no systematic way from these awards to evaluate the merits of these cases nor to determine in many of the cases what decisional standard the arbitrator sought to apply. Under recent employment rules changes, arbitrators will be writing labor-style reasoned arbitration awards. Future research will address the extent to which decisional standard contributes to outcomes.

There is at least one troublesome trend in the repeat player cases which bears watching. Among all the repeat player employers, only two employers made repeat use of the same arbitrator in multiple cases. However, each of these employers won all their cases (eight cases in total). One

of these employers used an employee ombudsman to correspond regarding the selection of arbitrators. The employee ombudsman is a salaried employee of the repeat player and apparently represents employees in arbitration hearings regarding their dismissal. This ombudsman requested arbitrators by name on behalf of both employer and employee. The arbitrators requested, in fact, were appointed to hear the cases and ruled in favor of the employer in all five cases. In this process, the employer paid the arbitrator's fee in full in all cases. The process was based in part on a personnel handbook adopted unilaterally by the employer. While this trend did not achieve statistical significance, it is cause for concern. It provides some evidence that there may be risk of "arbitrator capture," analogous to agency capture in employment arbitration. Future research will examine the development of this trend.

The American Arbitration Association has amended its Employment Dispute Resolution Rules to require that arbitrators disclose whether either party has selected them for a case previously. This rule provides more information to employees and may enable them to disqualify arbitrators whom employers select on a repeat basis (but see Rau 1997, for a critical evaluation of arbitrator disclosure rules as a solution to perceived problems of structural bias). In addition, the new rules will provide for random assignment of arbitrators to lists. This will reduce the likelihood of repeat appearance on the list of any single arbitrator. Future research will address whether these rules alter this pattern of outcomes.

Conclusion

Employment arbitration is becoming more widespread, and the question is how the labor and employment relations community can influence its structure. The process has the potential to provide a meaningful opportunity to be heard by employees who otherwise may have no voice in their dismissal. However, there are emerging patterns of repeat player use of repeat arbitrators and significantly different outcomes depending on employee resources. These are warning signals of structural bias in the arbitration process. These patterns suggest that serious continued dialogue regarding appropriate due process protection for employees is fully warranted.

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Just Cause Collides with Public Policy in Sexual Harassment Arbitrations

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Arbitrator

During the last several years, federal courts emasculated the longstanding doctrine of finality of labor arbitration awards where the arbitrator reinstated a worker accused of committing sexual harassment in the workplace. Under the guise of public policy, courts considered vacating or actually vacated arbitration decisions that would have previously been deemed final and binding on the employer and union. The question is not merely whether the doctrine of finality should fall but whether these courts are improperly invoking public policy to obviate one of the most important and necessary tenets of labor arbitration.

Labor and management agree to broad grievance arbitration provisions knowing that absent unusual circumstances, the arbitrator's award is final and binding.[1] The decision is unassailable in the courts. The parties depend on finality especially in discipline cases where the arbitrator decides if the employer had just cause to discipline an employee. Determining if just cause, an amorphous concept, is present is solely within the unique province of labor arbitrators. If the employer proves just cause, the employee must get on with life and the employer is rid of an unacceptable or unsatisfactory worker. If the employer fails to prove just cause, the employee is acquitted and is returned to the workplace with an appropriate make-whole remedy. Perhaps, just cause in sexual harassment cases becomes more complicated, but it is not intricate enough to warrant federal court scrutiny. Put simply, eroding the finality doctrine will encourage the losing party to go to court, the very route labor arbitration is designed to preclude.

Not surprisingly, labor arbitrators hear sexual harassment cases where the alleged harasser was disciplined (frequently discharged). In reaching their decisions, arbitrators apply the traditional notions of just cause, incorporating the definition of sexual harassment promulgated by the Equal Employment Opportunity Commission.[2] Indeed, labor arbitration may be the only forum that affords the alleged harasser a due process hearing with the presumption of innocence.[3] It seems fitting that public policy should

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presumptively endorse the alleged harasser's right to hearing. So how does public policy collide with just cause?

The Public Policy Exception

In *United Paper Workers International Union v. Misco,* the U.S. Supreme Court held that an arbitration award can be vacated and reversed if the award directly contravenes significant public policy.[4] The public policy must be overwhelmingly dominant so that enforcement of the arbitration award would sabotage the policy.[5]

There is a strong public policy against workplace sexual harassment, but there is an equally strong public policy in promoting collective bargaining that includes the finality of the parties' agreed upon mechanism for resolving disputes in labor agreements.

Since 1989, four U.S. Circuit Court of Appeals cases manifested the conflict between the two policies. By rendering inconsistent decisions, the courts not only leave the law in a state of flux but also improvidently threaten the doctrine of finality of labor arbitration decisions.

The Tenth Circuit

In *Communications Workers of America v. Southeastern Electric Cooperative,* the Tenth Circuit refused to set aside an arbitrator's award reducing a discharge to a one-month suspension, even though the arbitrator found that the dismissed electric lineman kissed the lips and touched the breasts of a woman customer.[6] The arbitrator reinstated the harasser and reduced the disciplinary penalty on three grounds: (1) a one-time sexual assault, albeit a serious offense, should not always lead to discharge; (2) the grievant compiled a good work record during his nineteen years of employment; and, (3) the company meted inequitable discipline for similar offenses (the company merely issued a warning to another male worker for committing a first time sexual harassment offense). The Tenth Circuit specifically ruled that an arbitration award reinstating an employee found guilty of sexual harassment does not violate public policy.[7] Citing *United Steelworkers v. Enterprise Wheel and Car Corporation,* the Court observed that the arbitrator exercised informed judgment to reach a fair solution, and the judiciary must be particularly wary of intrusion into the arbitration process simply because a court disagrees with the arbitrator's formulation of a remedy.[8]

The Second Circuit

The next year in *Newsday Inc. v. Long Island Typographical Union,* the Second Circuit vacated and reversed a labor arbitration award ordering the reinstatement without backpay of an employee who had sexually harassed

several coworkers.[9] The arbitrator acknowledged it was the employee's second sexual harassment offense but mitigated the penalty pursuant to the principle of progressive discipline and because the employee had accumulated twenty-two years of service.[10] The Court concluded that the arbitration award violated the dominant public policy against sexual harassment in the workplace.[11] The Second Circuit characterized the employee as a chronic sexual harasser and so, the award prevented the employer from complying with its legal duty to eradicate sexual harassment from its workplace.[12] The Second Circuit noted that the award was illogical because a prior arbitrator had already applied progressive discipline when the employee was reinstated after being found guilty of committing his first sexual harassment offense.[13] The Second Circuit chided the arbitrator for completely disregarding the final warning issued by the prior arbitrator.

The Seventh Circuit

In *Chrysler Motors v. Allied Industrial Workers of America, Local 793*, the Seventh Circuit rejected an employer's petition to vacate an arbitration award. The arbitrator reduced the discharge of an employee found guilty of committing sexual harassment to a 30-day suspension.[14] The arbitrator determined that the harasser grabbed the breasts of a female coworker and then remarked to another person, "Yep, they're real."[15] In addition, the employer submitted evidence that the harasser had touched the breasts of four other female coworkers. However, because the employer learned of these acts after it discharged the employee, the arbitrator refused to consider the uncharged misconduct.[16] The Seventh Circuit acknowledged the public policy of preventing sexual harassment; however, it deferred to the arbitrator's finding that the harasser could be rehabilitated and that a single offense was not sufficiently serious to justify discharge.[17] The Court also endorsed the arbitrator's ruling that the post-discharge misconduct was irrelevant because the exclusion of such evidence was consistent with the practice followed by many labor arbitrators.[18]

The Third Circuit

Next came *Stroehmann Bakeries, Inc. v. Teamsters Local 776*.[19] An arbitrator reinstated a truck driver accused of sexually assaulting a female clerk working alone at one of the driver's delivery stops. Specifically, the woman charged that the driver, while holding and squeezing an orange, asked if her breasts were hard, and then he grabbed her breasts from behind her. The driver asserted that the clerk fabricated the assault.[20] The arbitrator reinstated the truck driver with full backpay because the company had not fairly and thoroughly investigated the clerk's accusation

before discharging the truck driver. The arbitrator concluded that the employer conducted a "shoddy investigation" and it "leapt to judgment."[21] For example, the company failed to investigate inconsistencies between the answers the clerk gave the company over the telephone with her original written statement. The arbitrator's decision rested on traditional concepts of industrial due process and the burden of proof. Conducting a fair investigation is an essential element of just cause, especially when the charge is sexual harassment. The arbitrator clearly conveyed that had the company met its burden of proof, the discharge would have stood.

Also, the arbitrator was miffed that the company unquestionably accepted the truthfulness of the clerk's allegations because she was a very Christian girl. To emphasize that the clerk's background, whether chaste or not, was irrelevant to her credibility; the arbitrator wrote that harassment could have occurred even if she had been "the most celebrated slattern in seven states."[22] The arbitrator concedes that he may have used some injudicious language to emphasize a meaningful point.[23]

Relying heavily on *Newsday*, the Third Circuit, in a two-to-one decision, adjudged that the well-defined public policy against sexual harassment justified vacating the award, but unlike *Newsday*, instead of reversing the arbitration award, the Court remanded the case to another arbitrator.[24] The Court ordered the appointment of another arbitrator because the Court speculatively concluded that some of the unartful and crude language in the arbitration opinion revealed that the arbitrator was biased in favor of the truck driver.[25] The Third Circuit distinguished *Southeastern Electric* stating that the arbitrator in *Stroehmann* improperly failed to reach a decision on whether the driver committed sexual harassment, while in *Southeastern Electric*, the arbitrator made a definitive determination.[26] The Court also distinguished *Chrysler Motors* opining that the arbitrator's decision to reinstate a harasser who was capable of rehabilitation was consistent with public policy.[27]

The dissenting opinion in *Stroehmann* disingenuously observed that inasmuch as the company's investigation was inadequate, it follows that the company lacked sufficient evidence proving that the truck driver committed sexual harassment. Since no harasser was returned to the workplace, the decision did not violate public policy. Alternatively, the dissent stressed that an arbitrator must give sustenance to industrial due process when applying the just cause provision in a collective bargaining agreement.[28]

The Collision

Without doubt, *Southeastern Electric* and *Chrysler Motors* directly conflict with the *Newsday* and *Stroehmann* rulings. The Second Circuit, in

Newsday, did not hesitate to vacate an arbitration award simply because the Court vigorously disagreed with the arbitrator's decision and remedy while the Courts in *Southeastern Electric* and *Chrysler Motors* ruled that a labor arbitrator is entitled to great deference in fashioning a remedy. Like the employer in *Newsday*, *Chrysler Motors* was frustrated in its attempt to carry out its legal duty to eliminate sexual harassment from the workplace. *Stroehmann* follows *Newsday* but with a disconcerting twist. *Stroehmann* casts doubt on whether arbitrators may properly consider the extent of a company's investigation into sexual harassment allegations. The Court leaves arbitrators in the position where an accused embezzler or an employee charged with hitting a foreman will be afforded more industrial due process than an employee accused of sexual harassment. Also, by compelling arbitrators to reach a definitive conclusion on whether an accused employee committed sexual harassment despite a flimsy company investigation into the allegation, arbitrators are confronted with an irreconcilable dilemma. Suppose that during the arbitration hearing, a female coworker testifies that she witnessed the entire alleged harassment incident of another female worker and the witness is absolutely certain that no harassment occurred. On the day of the incident, the witness tells her supervisor that she was with the alleged harasser throughout his shift. Yet, the company did not interview this witness before discharging the alleged harasser. Regardless of the credibility of this witness, the arbitrator must consider whether the company conducted an adequate investigation into the incident, given that it failed to interview a witness corroborating the alleged harasser before imposing disciplinary sanctions. Otherwise, the arbitrator decides the case on a record of evidence substantially different from the evidence that the company possessed at the time it discharged the alleged harasser. In the extreme, *Stroehmann* encourages companies to discharge accused harassers without adequately investigating the charges. This ruling permits companies to jump to conclusions. A perfunctory investigation into a sexual harassment accusation could easily lead to the discharge of an innocent employee.

Only two facts might distinguish *Newsday* from *Southeastern Electric*. *Newsday* dealt with a second-time sexual harasser who tormented multiple victims. However, neither the number of victims nor the number of acts should be material. One episode is presumably enough to violate the public policy against sexual harassment in the workplace. The other possible distinguishing fact is the degree of seriousness of the misconduct. However, the lineman's conduct in *Southeastern Electric* was far more serious and had more debilitating effects for both the victim and the company than the conduct of the *Newsday* harasser. Thus the cases cannot be reconciled.

The better decided cases are *Chrysler Motors* and *Southeastern Electric*. The issue of what is the appropriate discipline for employee misconduct can best be decided on a case-by-case basis by considering the severity of the conduct, the employee's work and discipline record, length of service, potential for rehabilitation, and other mitigating factors. One can certainly quarrel with the arbitration results in all four cases; however, poor arbitral judgment does not mean the federal courts should usurp the vital role of a labor arbitrator under the subterfuge of public policy. Both *Newsday* and *Stroehmann* undermine the just cause analysis because the holdings not only require arbitrators to go beyond the collective bargaining agreement and consider possible public policy implications, but they also hamstring the arbitrator's contractual authority to fashion a remedy to fit the particular case. Most importantly, the two decisions create a large loophole in the finality doctrine. Even *Chrysler Motors* and *Southeastern Electric* erode the finality of arbitration awards because although the courts upheld the awards, they improperly inquired into the merits of the cases.

Federal courts should simply defer to arbitrators. They are adept at deciding cases involving all types of employee misconduct. The Courts tend to overreact to new and sensitive workplace issues, while arbitrators have an historical, objective standard, that is, the just cause analysis, to address delicate issues like sexual harassment. These arbitrators brought labor-management relations virtually unscathed through complicated drug abuse and drug testing issues. They can and will do the same with sexual harassment. Their proven track record warrants deference from the federal courts. The mere presence of a sexual harassment allegation should not deprive the accused employee of the presumption of innocence and industrial due process. Finality of awards must be preserved. After all, it is good public policy.

Endnotes

[1] Arbitration awards are appealable when the arbitrator exceeds the scope of authority granted by the collective bargaining agreement or for gross misconduct such as fraud and bias. *U.S. Steelworkers v. Enterprise Wheel*, 363 U.S. 593 (1960). *See also* 9 U.S.C. §1 *et seq*.

[2] The EEOC guidelines provide: Harassment on the basis of sex is a violation of Sec. 703 of Title VII. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment, 29 C.F.R. §1604.11(a) (1980). *See also*, 405 FEP Manual 6687-6701 (1990).

These guidelines describe two categories of sexual harassment: the quid pro quo theory and the hostile working environment. The former hype of harassment, which usually arises between a supervisor and subordinate, occurs when one employee tries to extract sexual favors from another employee, where the subordinate employee obtains an employment benefit or avoids an employment detriment. The hostile working environment theory, which is more likely to arise among coworkers of equal status, is conduct of a sexual nature that adversely impairs a worker's ability to perform the job or that engenders an insulting or intimidating work atmosphere. The four cases discussed in this paper concern hostile working environments.

[3] Tim Bornstein, "Arbitration of Sexual Harassment," *Proceedings of the 44th Annual Meeting of the National Academy of Arbitrators*, Washington, DC, May, 1991. (Washington, DC: BNA; 1992), 109, 119-20.

[4] 484 U.S. 29 (1987).

[5] *W. R. Grace v. Rubber Workers Local 759*, 461 U.S. 757 (1983).

[6] 882 F.2d 467 (10th Cir. 1989).

[7] Id. at 468.

[8] Id. at 470; 363 U.S. 593, 597 (1960).

[9] 915 F.2d 840 (2d Cir. 1990); cert. den. 499 U.S. 922 (1990). The harasser put his hand on a woman's rib cage, slapped another female coworker on the rear, and brushed against another worker's upper buttocks.

[10] The employee was discharged for the first harassment offense. A prior arbitrator ordered the employee reinstated but opined that if the employee committed another offense, he did not deserve leniency. The second arbitrator, for some inexplicable reason, elected not to implement the first arbitrator's final warning admonition.

[11] Id. at 844.

[12] Id. at 843.

[13] Id. at 844.

[14] 959 F.2d 685, 686 (7th Cir. 1992); cert. den. 113 S.Ct. 304 (1992). See also, *Chrysler Motors Corp. v. International Union, Allied Industrial Workers of America, Local 793*, 748 F. Supp. 1352 (E.D. Wis. 1990).

[15] *Chrysler Motors*, supra at 686.

[16] Id.

[17] Id. at 687.

[18] Id. at 698; The Seventh Court cited *Southeastern Electric* with approval but did not allude to *Newsday*.

[19] 969 F.2d 1436 (3rd Cir. 1992); cert. den. 113 S.Ct. 660 (1992); See also, *Stroehmann Bakeries Inc. v. Local 776 International Brotherhood of Teamsters*, 762 F. Supp. 1187 (M.D. Pa. 1991).

[20] Id. at 1438; *Teamsters Local 776 and Stroehmann Bakeries Inc.*, 98 Lab. Arb. Rep. (BNA) 873-874 (1990) (Sands, Arb.). On the merits, this case presented a classic one-on-one credibility dispute.

[21] Id.

[22] Id. at 874-875.

[23] June 29, 1993 Telephone Interview with Arbitrator John E. Sands.

[24] *Stroehmann Bakeries v. Local 776, International Brotherhood of Teamsters*, supra at 1442-1444.

[25] Id. at 1443.

[26] Id. at 1443.

[27] Id.

[28] Id. at 1447-1454.

Lengthening Duration of Permanent Replacement Strikes: Public Policy Implications

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When Congress amended the National Labor Relations Act (Section 201) in 1947, it declared:

> It is the policy of the United States that . . . sound and stable industrial peace and . . . the best interest of employers and employees can most satisfactorily be secured by the settlement of issues between employers and employees through the process of conference and collective bargaining.

The apparent growth of permanent replacement strikes in the past twenty years has brought the effectiveness of this dispute settlement policy into question because (1) these strikes have been shown to occur more frequently (GAO 1991), and (2) early evidence shows that these strikes have lasted longer in recent periods compared to earlier replacement strikes (LeRoy 1995). Although useful, the Schnell and Gramm (1994) and LeRoy studies were based on quite limited data. The former examined data from 130 strikes in 1985 and 141 strikes in 1989 (a total of 271 strikes); and the latter used data from 165 strikes. This research adds to these studies by examining the duration of 466 permanent replacement strikes that began from 1935-1991. In addition, this paper also discusses public policies that would appear to improve the settlement of permanent replacement strikes and thereby shorten these disputes.

Data Collection

Ironically, the Department of Labor under President Reagan curbed its reporting of strikes in 1981, the year of the PATCO strike (see U.S. DOL 1983). A recent Bureau of Labor Statistics proposal to eliminate quarterly reports on collective bargaining settlements means that there will be even less government reporting of potentially pertinent data (*Wall Street Journal*

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1995). Besides the 1991 GAO report, the federal government has never collected specific data about permanent replacement strikes. Consequently, independent investigation is necessary to generate data about these strikes.

I have done this by identifying and then analyzing 518 permanent replacement strikes that are reported in various published, adjudicated decisions. More than 90% of these cases were decided by the National Labor Relations Board (NLRB), the agency that administers the NLRA. The remaining decisions came from the National Mediation Board, the agency that administers the Railway Labor Act (RLA) or federal court decisions involving RLA issues, and state appellate court decisions involving adjudication of unemployment benefit claims for permanently replaced strikers. In a very small number of cases, two or more decisions were pieced together to create a single case that is entered into my database.

There are several advantages in using this database to analyze permanent replacement strikes. Unlike press accounts that frequently do not make clear whether or not replacements are hired on a permanent basis (or inaccurately characterize the nature of this hiring), adjudicated decisions tend to report this matter with much more clarity. Also, these decisions often contain some useful information about strikes that can be quantified, such as duration of strike, number of strikers and replacements, length of parties' bargaining relationship, classification of the dispute as an economic or unfair labor practice strike, and disposition of ULP charges.

But there are notable limitations in this database. The most significant drawback is that the database is probably biased. A certain number of permanent replacement strikes settle without being litigated at all or without being litigated at the appellate level at which I am measuring. Also, it is possible that some unions disclaim interest in the affected bargaining unit and thus "walk" from the dispute without settling the strike or litigating strike issues (presumably these issues are rare). Consequently, my database probably does not represent the population of permanent replacement strikes beginning from 1935-1991.

Another limitation pertaining to this analysis concerns strike duration. Ordinarily, a decision reported the exact dates a strike began and ended, but sometimes this was not a cut-and-dried matter. A small number of cases involved the issue of whether the union actually ended its strike or when it did. For example, a union would put a condition on ending its strike, such as reinstatement of replaced strikers. The union would say that its strike ended at that time, but in most cases, the NLRB would rule that given the conditional nature of the union's offer to return to work, the strike was still on (even if picketing had stopped).

A second problem related to calculating duration arose in cases where the record indicated that the strike was still in progress when the decision was issued. I then calculated the number of days from when the strike began to when the agency or court issued its decision. The rationale for this calculation is that some of these disputes last indefinitely; if only cases with a certain end date are used, then the database is biased to exclude an important subset of these disputes. On the other hand, this method makes the calculation of strike duration depend, to some degree, on a factor not directly related to the dispute: how fast the matter is adjudicated at the appellate level. Some would argue, however, that adjudicatory delay is, in fact, an essential part of the strike-duration problem (in other words, the parties' bargaining positions are driven to a considerable degree by the outcome of these decisions). A separate problem is that this method actually underestimates strike duration, because at least some of these strikes last well beyond the date the NLRB renders a decision.

Results and Findings

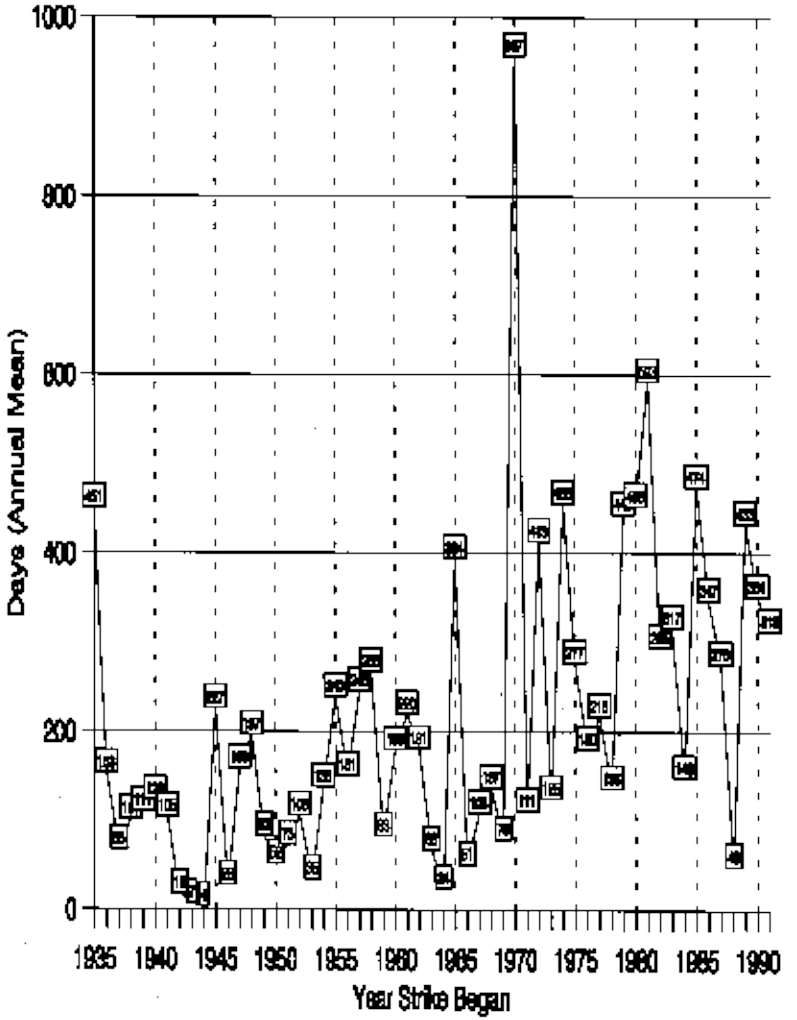
I sorted all strikes by the year in which they began, from 1935-1991, and calculated the mean number of days that these strikes lasted. I decided against using a median because in 9 of the 57 years reported here, I had only one or two observations with useable data. But using a mean created another potentially serious problem. Given the fact that many years from 1935 through 1973 had fewer than ten observations, one or two particularly short or long strikes skewed the results. This was the case for 1970, showing a mean duration of 957 days based on four measurements.

The annual frequency distribution for strike duration appears in Figure 1. How do recent strikes compare to earlier strikes? I answered this question by choosing 1970 as a dividing point. I chose that year because it places into the recent category those years that are generally associated with reports of increasing occurrence of replacement strikes. Also, since 1970 is such an obvious outlier in the findings reported here, it makes sense to disregard it and compare cases on either side of it. Here, then, are two findings:

> *Finding 1:* In 27 of the 35 years (77%) preceding 1970, permanent replacement strikes lasted six months or less (using 180 days as a cutoff). This statistic was virtually reversed for the years after 1970. These strikes lasted less than six months in only 6 of 21 years (29%).
>
> *Finding 2*: Average duration exceeded one year in only 2 of 35 years (6%) before 1970 but lasted over a year in 7 of 21 years (33%) after 1970.

FIGURE 1

Length of Permanent Replacement Strikes



Implications for Labor Law Policy

These findings have general and specific implications for reforming American labor law. Finding 1 implies that the NLRA's public policy of promoting dispute settlements between unions and employers is to some degree being thwarted by permanent replacement strikes. Finding 2 has specific implication for Section 9(c)(3) of the NLRA. That provision states

that "(e)mployees engaged in an economic strike who are not entitled to reinstatement shall be eligible to vote (in an NLRB decertification election) conducted within twelve months after commencement of the strike." Thus replaced strikers who are unreinstated after the first anniversary of commencing an economic strike are barred from voting in a union decertification election. On its face, this public policy appears to create a notable incentive for union-averse employers to prolong permanent replacement strikes beyond the first anniversary of a strike. The perverse reward for such an employer is a decertification election in which only replacement workers and nonstriking members of the bargaining unit are allowed to vote.

Finding 2 does not prove that there is a growing tendency among employers to exploit this policy, but it suggests this possibility. Thus this research exposes a possible contradiction in two public policies embodied in the NLRA: One of the act's main policy goals is to promote dispute settlement, but a more specific provision appears to promote prolongation of disputes.

Reform to address permanent replacement strikes has concentrated mainly on banning the hiring of permanent replacement strikes. Recent Democratic Congresses, while coming close to enacting such legislation, have failed to do so. President Clinton's Executive Order 12954 (Executive Order 1995; LeRoy 1996) provided for debarment of federal contractors who hire permanent striker replacements before the D.C. Circuit Court of Appeals voided it as preempted by the NLRA (*Chamber of Commerce* 1996). Also, a Minnesota law banning such hiring (LeRoy 1993) was similarly nullified (*Midwest Motor Express* 1994). Moreover, employers may be correct in asserting that regulation of this kind would seriously alter the balance of bargaining power between employers and unions (compare testimony of U.S. Chamber of Commerce President Richard S. Hoyt [1990][1] and research in Budd and Pritchett [1994], finding that such a ban in Quebec had no effect on bargaining power). Measured labor law reform should be considered, however:

1. Amend Section 9(c)(3) to remove the voter-ineligibility rule for replaced strikers. When this became law in 1959, part of its rationale was that strikers were presumed to have lost interest in a struck job after a year. This makes no sense in the 1990s, however, when it appears that replaced strikers return to work years after their labor dispute began (Franklin 1995).

2. Provide the NLRB more resources to enforce the NLRA. This would appear to reduce the duration of permanent replacement strikes in two ways. First, the board would probably be able to reduce its backlog of cases; and to the extent that striking unions and their employers await board rulings as part of their strike strategies, that component of strike

duration would be minimized. Second, with increased resources, the board would be able to seek injunctions in replacement strikes. Nothing worked in settling the intractable 1994-1995 baseball strike except a March 1995 federal court injunction (*Silverman* 1995).

3. Increase employer penalties for egregious misconduct during a replacement strike. Flanagan's (1989) research showed that weak employer penalties under the NLRA fail to deter unlawful activity. One possibility is to provide for double damages when employers unlawfully discharge strikers or fail to reinstate them pursuant to the *Laidlaw* (1967) doctrine. Certainly, there is employment law precedent for double damages (see *Starceski* 1995, affirming award of double damages for willful discrimination under the Age Discrimination in Employment Act). An important advantage of this reform is that it would not alter the balance of bargaining power because it would not change an employer's right to hire permanent replacements.

Caveat and Conclusion

This research adds to the small body of empirical information that shows that recent employer hiring of permanent striker replacements has prolonged labor disputes. Many proponents of collective bargaining who are troubled by this development favor banning employer hiring of permanent striker replacements. Employers raise a serious argument, however, by questioning the effect of extinguishing a vital right that has existed for nearly sixty years. In addition to the reforms suggested here, other useful reforms have been suggested (see Estreicher 1993, endorsing the use of advisory interest arbitration as a substantial limit on an employer's right to hire permanent striker replacements).

A caveat must be added to the preliminary finding here that replacement strikes lasted longer in the 1970s and 1980s compared to the 1930s-1960s. Unions used the strike weapon much less, particularly during the 1980s and early 1990s (U.S. DOL 1995). Consequently, my sample for the most recent period is likely to contain strikes that entail the most intractable labor-management disputes. In sum, one cannot tell whether replacement strikes are lasting longer because employers have found strategic value in prolonging them or because the easy-to-settle strikes have been filtered out by union withdrawal of the strike weapon.

Recent public policy debates concerning striker replacements were very contentious. These debates lacked much needed empirical information (1) to support union claims that such hiring destroys collective bargaining and (2) to support employer predictions that a change in policy would fundamentally alter the balance of bargaining power. The findings of this study

suggest a need for labor law reform; but since so little data are collected about these strikes in the U.S., measured and limited proposals should be preferred to those proposing a sweeping change.

Endnote

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DISCUSSION

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There was complete unanimity this year among those of us who were asked to select the three best papers for the refereed competition. The reason for this, of course, is that the papers presented today by LaRocco, Bingham, and LeRoy are truly standouts and raise a variety of interesting issues for those of us who work in this area.

Of all of the refereed papers, LaRocco's work on sexual harassment and the appropriate deference due the finality doctrine is in some ways the most disturbing. LaRocco's basic argument that industrial due process can only be fully respected if federal courts avoid *Misco*-like temptations and defer to the arbitrator's judgment is troubling for several reasons. First, the facts in the four cases LaRocco describes are egregious. These are not run-of-the-mill "hey baby . . ." sorts of confrontations. On the contrary, each of the cases LaRocco relies on involve highly offensive behavior—both physical and verbal. In *Southwestern Bell*, in particular, the conduct in question was almost certainly criminal. Thus it is hard to quarrel with federal courts that feel a strong urge to jump in and second guess the arbitrator who opts for reinstatement or a minimal penalty. Most arbitrators are men and most sexual harassment claims involve female complainants and alleged male misbehavior. As the respected arbitrator Tim Bornstein has noted:

> A significant majority of arbitrators are men, as reflected in the membership of this Academy, and men have always dominated the profession. Do male arbitrators—whatever their understanding of labor relations, labor law, and the culture of the workplace—truly understand the problems of women in the workplace well enough to decide sexual harassment cases fairly and wisely? Reading the published arbitration decisions on sexual harassment leads me—a male arbitrator—to conclude that most male arbitrators bring considerable sensitivity, sympathy, and common sense to these cases. But there are startling exceptions. A few published decisions reflect gross arbitral insensitivity to the situation of women in a male-dominated work force. Other decisions reveal

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> old-fashioned, Victorian, and overly protective views of working women so that one wonders where these arbitrators have been during the last 30 years. (Bornstein 1992)

To make the case for ongoing deference to the finality doctrine, LaRocco has to persuade that sexual harassment is no different from other "hot button" workplace issues such as drug testing and workplace violence. This is not easy to do. In the case of drug testing, for example, it was generally the self-interest of the employer that was at stake if an employee was using drugs. In sexual harassment situations, the female coworker (none of LaRocco's cases are quid pro quo cases) is the principally injured party. The employer's concerns are derivative—i.e., fear of subsequent legal liability for failure to stop the abuse. It may be that heightened federal interest in these arbitrated cases has more to do with discomfort about the appropriateness of the "just cause" standard and isolated examples of "gross arbitral insensitivity" than a conscious desire to encroach on the finality doctrine.

The second paper also deals with arbitration. Ms. Bingham investigates the strength of the repeat player hypothesis and considers whether agency capture theory has an analog in employment arbitration: arbitrator capture. Although she does not say so directly, Bingham gives the impression that she is uncomfortable with the unilateral imposition by employers of employment arbitration via personnel manuals and handbooks. This is the important starting point for her concerns because she is focusing on unrepresented employees and on employers who have the benefit of "institutional memory" when it comes to selecting an arbitrator.

Bingham's results show that blue- and pink-collar workers fare less well in employment arbitration cases than do white-collar workers. She believes this may be due to the fact that white-collar employees will often have resources comparable to those the employer can access. I think this fails to emphasize two important issues: first, many white-collar employees have written contracts. Most blue- and pink-collar workers do not. This means that the latter group are employed at-will and can be terminated for any reason at all so long as the employer does not run afoul of the various antidiscrimination statutes. Many white-collar workers are not employed at-will. For the arbitrator, the standard for the white-collar worker may well be something akin to "just cause" which is considerably harder for an employer to meet than the at-will standard.

Second, Bingham states that one would expect to see win/lose rates comparable to those found in labor-management arbitration cases which normally hover around 50%. Her results indicate that blue- and pink-collar

workers are winning far less frequently than that. It is unfair, however, to compare employment arbitration to labor-management arbitration, much less to expect comparable outcomes. In the labor-management context, both sides "screen" out weak and or unwinnable cases. No entity is performing that same function for employees in employment arbitration. Thus one would expect to see many more weak cases going to arbitration and a substantially higher lose rate for employees. In addition, to the extent that white-collar workers do have legal representation, the gap between white and blue/pink workers would also reflect the absence of the screening phenomenon.

As for "arbitrator capture," the new AAA rule requiring arbitrators to disclose if they have handled a case for the employer previously would seem to address this concern. The paper might benefit from suggestions for additional ways in which the rules could be amended to compensate for the employer's long institutional memory.

The third and final paper, unlike the first two, does not deal with arbitration. Instead, LeRoy focuses on the contentious problem of permanent replacement strikes. His thesis is that Section 201 of the National Labor Relations Act is undermined by permanent replacement strikes because since 1970, these strikes are lasting substantially longer than they used to. He makes three proposals for reducing this problem—amendment of 9(c)(3), more money for the NLRB to seek injunctions and to expedite cases, and increases in employer penalties for replacement strike misconduct.

I take issue with each of these proposals for reform given the nature of LeRoy's data and his attempt, I think, to read more into Section 201 than is reasonable. As the GAO has confirmed, since the 1980s the country has witnessed a dramatic decline in the number of strikes overall. That is, in each year since the PATCO debacle in 1981, fewer and fewer unions have opted to exercise the strike weapon. This means that LeRoy's post-1970 data consist of what may in fact be the most serious, intractable disputes—those that simply could not be settled in any other way. If this is true, it would come as no surprise then that strikes after 1970 were taking, on average, much longer to settle than those prior to that date. No one would be surprised to learn that strikes which reflect only seemingly insoluble disputes lasted longer than strikes triggered by a mix of serious and less serious disagreements.

The other concern raised by LeRoy's paper is his premise—i.e., that strikes of long duration are necessarily incompatible with Section 201. Some would argue that 201 simply declares a U.S. commitment to the process of collective bargaining in order to ensure industrial peace. Strikes

and collective bargaining are not themselves mutually exclusive. Indeed, bargaining often continues during the course of a strike, albeit sporadically. Thus to make the leap that LeRoy makes and say that longer permanent replacement strikes are inconsistent with U.S. labor policy seems rash and unwarranted. LeRoy's implicit suggestion that the government return to data gathering of a sort that would allow further investigation into this question seems entirely reasonable. His other proposals, though, should probably wait for the added support that better data might lend them.

Each of these refereed papers makes a valuable contribution to the existing literature and helps focus attention on issues of great concern to both labor and management. Sexual harassment, the exponential growth of employment arbitration, and the use of permanent replacement strikers are all compelling subjects. The authors whose work appears here have each drawn attention to these problems in a way that guarantees lively debate and further inquiry.

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XI. EXPANDING NORTH AMERICAN FREE TRADE TO THE SOUTH: IR ISSUES

An Early Assessment of the NAFTA Labor Side Accord

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The NAFTA Labor Side Accord, properly called the North American Agreement for Labor Cooperation (NAALC) (CLC 1993), was one of the conditions set by U.S. President Bill Clinton for his support of the North American Free Trade Agreement (NAFTA). Finalized in September 1993, the NAALC paved the way for the final approval of NAFTA by allowing the Clinton administration to claim that it had addressed the flaws in the original NAFTA in the labor area and by giving political cover to congressmen who needed such cover (Grayson 1995:144-150). Essentially an intergovernmental cooperation mechanism, the NAALC was greeted with skepticism by those who had hoped for explicit and enforceable labor standards, although it was later embraced by some active observers and participants as a useful worker rights, political, and organizing tool (Compa 1995; Robinson 1995; Herzenberg 1996). The national labor movements of the three countries did not support the NAALC; the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) and the Canadian Labor Congress (CLC) continued to oppose NAFTA, while the Confederation of Mexican Workers (CTM) supported it.

While the NAALC in its final form did not include explicit labor standards nor a real enforcement mechanism, it did include (1) a broad charge for cooperation and consultation; (2) a list of eleven labor principles; (3) a set of NAALC institutions including the trilateral Commission for Labor Cooperation (CLC) and the three National Administrative Offices (NAOs);

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(4) cooperative activities; and (5) an intergovernmental, four-level consultation mechanism to process "submissions" (the NAALC euphemism for charges) by private parties in one country alleging that another country is not enforcing its own labor law. Up to now, Canada is not a participant in the consultation mechanism, since full participation in the NAALC requires its adoption by provinces accounting for a proportion of the Canadian population above certain thresholds, which has not yet happened (Robinson 1995).

Now that three years have passed, and because in the fourth year (1997) the Council of the CLC will review the functioning of the NAALC, it is appropriate to assess the implementation of the NAALC and to consider whether the broader mission has been or will be accomplished. The sections that follow consider the basic features of the NAALC, three years of experience with the NAALC, and the necessary conditions for the NAALC mechanism to realize the NAALC mission. The 1994 and 1995 submissions under the consultation mechanism have received considerable treatment elsewhere, which will not be repeated here (Compa 1995; Levinson 1996; Adams and Singh 1997).

Basic Features of the NAALC

The Charge and Objectives

Briefly, the NAALC commits the governments of the three NAFTA countries to promote "high-skill, high-productivity economic development in North America" through a variety of activities, including human resource development, referral and other employment services, labor-management cooperation, dialogue, productivity increases, investment, and compliance with labor laws (CLC 1993: Preamble). The more detailed objectives are equally laudable and refer to working conditions, living standards, labor principles, cooperation, innovation, productivity, quality, exchange of information, data development, joint studies of laws and institutions, effective enforcement by each government of its labor law, and transparency in the administration of labor law (Art. 1). Each government was obligated to "ensure that its labor laws and regulations provide for high labor standards, . . . recognizing the right of each Party to establish its own labor standards" (Art. 2).

Labor Principles

More concretely, the NAALC embraced eleven labor principles (Annex 1), which also comprised the definition of "labor law" in the article on definitions (Art. 49), although without establishing common minimum standards

for domestic labor law. The eleven labor principles are (1) freedom of association and protection of the right to organize, (2) the right to bargain collectively, (3) the right to strike, (4) prohibition of forced labor, (5) labor protection for children and young persons, (6) minimum employment standards, (7) elimination of employment discrimination, (8) equal pay for women and men, (9) prevention of occupational injuries and illnesses, (10) compensation in cases of occupational injuries and illnesses, and (11) protection of migrant workers. These principles are central to understanding the steps in the NAALC's consultation mechanism as they fall into three groups of differential treatment.

NAALC Institutions

The NAALC established the Commission for Labor Cooperation made up of a ministerial council and a secretariat (Art. 8). The council is the governing body of the commission and is made up of the labor ministers or their designees (Arts. 9-10). The secretariat is headed by an executive director, who is appointed for a three-year term (renewable once) and supervises a staff initially set at fifteen (Art. 12). The secretariat is to assist and report to the council (Art. 13) and to "prepare background reports setting out publicly available information supplied by each Party on (1) labor law and administrative procedures; (2) trends and administrative strategies related to the implementation and enforcement of labor law; (3) labor market conditions; and (4) human resource development" (Art. 14, section 1), as well as studies "on any matter as the Council may request" (Art. 14, section 2).

The NAALC also provided that each country establish a national administrative office (NAO) within its federal government "to serve as a point of contact with (1) governmental agencies of that party; (2) NAOs of the other parties; and (3) the secretariat," to "provide publicly available information requested by (a) the secretariat for reports under Art. 14(1); (b) the secretariat for studies under Art. 14(2); and (c) an NAO of another party; and (d) an Evaluation Committee of Experts (ECE)," and to "provide for the submission and receipt, and periodically publish a list, of public communications on labor law matters arising in the territory of another Party" (Art. 16).

Cooperative Activities

The NAALC provided for cooperative activities among the three governments to further the broad goals of the agreement (Art. 11). The list of specific areas for cooperative activities was lengthy, running to sixteen points and covering the full range of possible activities of labor ministries in the employment and labor arena. Cooperative activities consist largely of

meetings and information exchange among the three governments, often with nongovernmental participants. While receiving less public attention than the submissions, these meetings probably account for the greater portion of NAALC activity.

The Consultation Mechanism

In keeping with its nonadversarial spirit, the NAALC provides an interministerial consultation mechanism in place of a dispute mechanism. There are four levels of consultation, including consultations between NAOs (Art. 21), ministerial consultations (Art. 22), evaluations by an independent evaluation committee of experts (ECE) (Arts. 23-26), and the use of an arbitral panel (Art. 27-41). At its first two levels of consultation, the NAALC requires the government of one country to answer questions and allegations submitted by residents of the other countries about the full range of its labor practices, including collective labor relations, if the submission is accepted for review by the other government.

At the third level, a submission can be reviewed by an ECE, which is a committee established by the council at the request of a government to analyze "patterns of practice by each Party in the enforcement of its occupational safety and health or other technical standards as they apply to the particular matter considered by the Parties" in earlier ministerial consultations, if the matter is trade-related, covered by mutually recognized labor laws, and has not been previously covered by an ECE report. The subject matter of an ECE can be any of the labor principles which qualify as technical labor standards (Art. 40), meaning all (except for the first three) on collective labor relations. At the fourth level, in cases subject to an ECE final report involving technical labor standards on occupational health and safety, child labor, or the minimum wage, the NAALC provides for further consultations, arbitration by an arbitral panel, and the eventual imposition of sanctions and suspension of trade benefits (Arts. 27-41).

Three Years of the NAALC

In the three years of the NAALC, substantial progress has been made in establishing its basic structures and processes, as documented in the reports of its institutions covering 1994 (Otero 1995; U.S. DOL 1995a), 1995 (CLC 1995), and 1996 (CLC 1996a, 1996b, 1996c). In 1994 the NAO in the United States was established at the beginning of the year, and cooperative activities, already established under Mexico-U.S. and Canada-Mexico bilateral agreements and merged under the NAALC, continued under the auspices of the NAALC (U.S. DOL 1995b). The first submissions under the consultation mechanism were filed in the United States and

were accepted for review, with one reaching the level of ministerial consultations.

In 1995 the secretariat of the Commission for Labor Cooperation was inaugurated in September with its seat in Dallas, cooperative activities continued, and the first CLC annual report was issued (CLC 1995). The secretariat undertook three studies, including a comparative labor law study, a comparative labor market study, and a study of best practices in manufacturing, as authorized under the NAALC (Art. 14). The first submission was received and accepted by the Mexican NAO, which like the third submission of 1994 at the U.S. NAO, reached the level of ministerial consultation. Both ministerial consultations resulted in work plans of further research and conferences.

In 1996 activities continued and intensified. Highlights included two new submissions under the NAALC consultation mechanism, suggesting continuing interest within the nongovernmental organization (NGO) and labor communities in the use of the consultation process in spite of a lack of concrete results and a surge of activity from the CLC secretariat in Dallas. Both new submissions, filed in the United States against Mexico, were accepted for review. Activities at the secretariat include conferences, publications, and other materials, along with modern electronic communication devices such as e-mail addresses and a website. The CLC bulletin, *Labor in NAFTA Countries*, came out three times in 1996 and is a useful source of information on NAALC documents, structures, principles, and programs. Each issue juxtaposes labor market and economic data from official sources from the three countries, a contribution in itself, and information is given on upcoming conferences.

High Labor Standards in North America: Can NAALC Be the Road?

As the NAALC enters its fourth year, it can be concluded (1) that the institutions and activities set out in the original document have been implemented and (2) that the NAALC research, cooperative, and consultation activities have generated significant information on labor relations in the three countries and especially in Mexico. As a NAALC by-product, there are indications of strengthened cross-border alliances and increased NAFTA-wide activities among various labor, labor-interest, and professional groups, most notably the alliance among the telephone workers unions of the three countries, the NAFTA Desk of the Canadian Labor Congress, the Frente Autenico de Trabajo (FAT) in Mexico, the International Labor Rights Fund (ILRF) in the United States, and the NAFTA Committee of the Industrial Relations Research Association (Verma 1996). Still absent, however, is the

necessary key player, the AFL-CIO, which should, to the extent that there is North American integration of business and the economy, similarly develop a labor movement integration framework.

The question remains, however, of whether or not the NAALC information, cooperation, and consultation approach will lead to high labor standards in North America or even to enforcement of the labor laws of the three countries. Ultimately, the burden of proof is on the proponents. In the present climate of anxiety about employment and incomes and skepticism about the efficacy of any government action, those who would conclude that the NAALC is achieving a positive labor-market outcome have their work cut out for them. Those who would argue either for engaging the NAALC processes to push them to their limits and carry the work beyond or for another approach to the same goals independent of the NAALC will have an only slightly easier time of it. NAALC skepticism should be replaced with the question of how to achieve high labor standards in North America, followed by considering how the NAALC contributes to the larger effort.

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Industrial Relations in Chile and Chilean Accession to NAFTA

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Given the various delays in and uncertainty about an expanded North American Free Trade Association (NAFTA), Chilean union officials today are unenthusiastic about their country's possible membership; instead, they see Chile's new association with the Southern Common Market or MERCOSUR as more relevant to organized labor (Alarcón 1996; Bustos 1996).[1]

Even when NAFTA expansion was being seriously discussed in the year following the Miami Summit of December 1994, leaders of the principal Chilean national-level labor organization, the Unitary Workers Central (Central Unitaria de Trabajadores or CUT), were concerned that the labor side agreement did little to improve the limited basic rights of collective bargaining and the possibility of legal strike activity found in contemporary Chile (Ruiz-Tagle 1995:53).

What follows here in this short paper links what are seen as the inadequacies of NAFTA for the workforce of member countries to an account of labor's organizational and political weaknesses in the still relatively new democracy found in present-day Chile. Such lack of political strength is illustrated by a discussion of the modest labor reform of 1990/1991 and the likely fate of the reform proposal introduced in the Chilean Congress in 1995.

The Limitations of the NAFTA Labor Side Accord

Speaking officially on the subject of possible Chilean membership in NAFTA as part of a roundtable hosted by the prestigious Centro de Estudios Públicos in Santiago, the then CUT Second Vice President María Rosas described its labor side accord as "weak and impossible to implement." The CUT position she enunciated was that labor preferred a bilateral U.S.-Chilean accord to NAFTA membership as a means of creating "social clauses" modifying those aspects of existing Chilean labor practices seen as of special interest to the unions, such as job dismissal procedures, collective bargaining, unemployment insurance, and worker access to job training funds (Katz et al. 1995:23). As she stated therein,

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> We perceive that NAFTA does not offer even minimum guarantees of social or labor rights. This interpretation is based on the view that the labor side accord to NAFTA does not present a minimal legal framework or an effective mechanism to limit unfair practices of low salaries and [inadequate] labor standards, [thus] leaving conditions open for the creation and development of social dumping. (Katz et al. 1995:24)

This viewpoint that the NAFTA-derived rights would be of limited value to labor and of dubious enforceability has been shared by many labor specialists in Chile (see Lagos 1996:97-99).

Such a negative opinion is all the more serious given that present CUT leaders acknowledge that there is no realistic political possibility that Chilean accession to NAFTA could occur within a context that would permit any renegotiation of the existing labor side accord (Alarcón 1996; Bustos 1996). The CUT's position on NAFTA membership, in turn, reflects what its leadership sees as the unsatisfactory nature of current Chilean labor-management relations, ones which joining NAFTA would fail to improve.

Labor Relations in Today's Democratic Chile

The labor reform of 1990-91, negotiated by the new Aylwin administration with the more flexible part of the conservative opposition in the Chilean Congress, made only modest improvements in the unions' ability to deal with management more equitably (Epstein 1993: 52-53, 56; Geman and Hager 1995). The main changes affected job dismissals, collective bargaining and strikes, and the recognition and financing of national-level trade union bodies.

While business must now formally show cause to dismiss workers, such a cause can include the fairly broadly defined "needs of the company." More importantly, where the worker is not at fault, the company must now pay an indemnization increased to a maximum of eleven months' salary from the previous limit of five months, depending on the length of employment (Código 1996:arts. 160-163). In effect, management remains free to fire any worker if it is willing to pay for the privilege.

Collective bargaining remains largely confined to the level of the individual firm, with certain specified categories of workers performing "transitory or temporary work" (such as in agriculture, forest products, or construction) denied the right to sign a collective contract with the protection that provides.[2] Also excluded from collective bargaining are supervisory personnel and government employees. In what amounts to a minor change, workers in different private firms now can negotiate together, but

only if management in those separate firms specifically agrees.[3] Contracts are to relate to remunerations or work conditions, with workers forbidden from seeking to bargain on "matters that restrict or limit the right of the employer to organize, direct, or administer the company" (Código 1996:arts. 303-306). Strikes are no longer limited to a maximum of sixty days, although this is not as significant a change as it might appear.[4] Replacement workers can be hired only after fifteen days of strike if management's final offer in collective bargaining was not at least as good as the conditions existing previously, adjusted by the rate of inflation (Código 1996:art. 381).

A national-level labor body now can secure official recognition and possible representation in relevant government organizations where its members constitute at least 5% of unionized workers.[5] The member unions are free to specify the dues they can legally contribute to their affiliated national central (Código 1996:arts. 279-280, 286). With such financing, a body like the CUT is capable, in theory, of autonomous action on behalf of organized labor in Chile, participating alongside the main national business interest group, the Confederation of Production and Commerce (Confederación de Produccíon y Comercio or CPC), in government-recognized concertation talks. Some observers, however, are skeptical of what such concertation has produced for Chile's workforce and whether the CUT has the financing necessary to attain much real autonomy from its allies in the present government (see Epstein 1993:50-54).

Virtually from the time of the passage of the 1990-1991 labor reform, the CUT has sought to modify what was done to broaden its scope. During the Aylwin administration, the government replied that it had promised cooperating portions of the opposition in Congress and that in return for their support with the initial reform it would restrain from further change until the end of its term. The present Frei government would finally yield to such labor pressure in terms of the new reform described below which it introduced in Congress in 1995. Its action in so doing may well have been a response to the repeated accusations coming from labor leaders like then CUT President Manuel Bustos accusing the government of a bias in favor of big business (*El Mercurio*, international edition, December 28, 1995-January 3, 1996:5).

Labor's Diminished Political Importance

The CUT formally has been an ally of the Aylwin and Frei administrations, with most of its leaders coming from the same political parties represented in those governments. If the Chilean labor movement had once performed a critical function in the struggle for democratic restoration in

the 1980s, its political importance since has declined, now being seen by various observers as politically weak and largely ineffectual (Epstein 1993:59-60; Rojas Hernández 1993; Frank 1996). The government seems more inclined to pay attention to the wishes of investors than to a union leadership that may complain but may have little practical alternative than to accept official policies.

The union movement has never recovered the strength it had prior to the 1973 military coup and the years of the Pinochet dictatorship. As of 1993, only 9.7% of those employed participated in the collective bargaining system (CUT 1995:1); consequently, Chilean unionization not only was a low 13.3% of the total workforce in 1994, but it represents a decline from the high point of only 15.4% attained in 1991 after the democratic transition. If remunerations have increased recently from what were once very low levels, this improvement seems to be the result of low unemployment produced by quite impressive economic growth rather than union negotiating strength or strike activity (Frias 1995:60-61, 68).

Recent Labor Reform Proposals

In January 1995 the Frei government introduced a new labor reform which, after passing the Chamber of Deputies, bogged down quite hopelessly in the Senate. Although the government has a majority of the elected members of both houses, the appointed Institutional Senators who make up the swing votes in the upper chamber and who were all chosen by the former dictatorship allow the conservative opposition there to block any legislation it opposes. Even more so than what happened in 1990/1991, this time the opposition and its business supporters seem especially unlikely to compromise on the key issues (Alarcón 1996; Bustos 1996; Campero 1996).

As drafted by the government, among the most conflictual changes included in the proposed legislation are ones which now would no longer allow for the hiring of replacement workers during strikes and would permit most temporary workers previously excluded from collective bargaining to do so for the first time since the coup (Ministerio de Trabajo 1995:arts. 381 and 305, respectively; Campero 1996). The latter point has to be seen as especially controversial for a labor relations system where business has long gotten most of what it wanted. While such inclusions represent concessions by the government on matters that long have interested labor, one is not sure if the Frei administration ever thought they had a serious chance of passage.

Whatever the possibly largely symbolic importance of such aspects of the proposed labor reform, the CUT leadership had pushed for additional changes that the Frei administration rejected for inclusion. Among these

would have been such measures as the obligation for management to allow collective bargaining by entire industries (*negociación sobre-empresa*), the automatic acceptance by management of all existing contract gains previously won by labor (*piso de negociación*) unless voluntarily relinquished, a tighter definition of what constitutes the so-called needs of the company (*necesidades de la empresa*) employed by management to lay off workers, and the option of a worker seeking compulsory reinstatement in cases of unjustified dismissal rather than just receiving a higher indemnization as is now provided (CUT 1995).

With the likelihood that the proposed labor reform will not become law, Chilean labor leaders continue to feel politically frustrated. In that mood, the prospects of possible NAFTA membership must seem quite distant from the problems they feel they and the Chilean workforce now must face under a changed environment created by their country's new associate membership in MERCOSUR.

Endnotes

[1] This increasing lack of interest by Chilean organized labor parallels the attitude enunciated by the present Frei government that NAFTA has lost its priority given Chile's various recent trade agreements with MERCOSUR, Canada, and elsewhere (El Mercurio, international edition, November 14-20, 1996:1-2).

[2] They are allowed to sign a collective *convenio* or pact, but this does not provide for the minimal protections found in a formal contract produced through collective bargaining.

[3] Such management approval has rarely ever been given.

[4] The effect of ending this limit is minimal since few unions have the financial resources to support long strikes.

[5] While the law allows for a plurality of such centrals, both the Aylwin and Frei governments have singled out the CUT as the most representative labor body in Chile.

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DISCUSSION

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The issues of whether and how labor standards should be tied to free trade agreements continue to be hotly contested. The North American Agreement on Labor Cooperation (NAALC) is a novel experiment because it transcends mere declaratory language by creating new bodies and processes for addressing labor issues. As with any such labor accord, its impact and role is best understood not in a vacuum but in light of the economic impact of increased free trade and considering each country's own history, politics, and culture.

The current and future impact of NAFTA is not as simple to discern as many pundits forcefully asserted prior to its passage. We have heard neither a giant sucking sound nor the boom of a job explosion. As one commentator noted, "The debate has been ardent but devoid of subtlety" (Fernandez-Kelly 1993). Enrique de la Garza's paper provides us with some of the subtlety necessary to determine the impact of NAFTA on the Mexican economy and labor relations. For instance, he notes that average wages and salaries fell between 1993 and 1996, although real average earnings in several key industries grew, and that very few productivity agreements between labor and business since 1994 have provided any substantial wage increases. The number of strikes has dropped precipitously since 1993, although unions have increased the number of their "demands" through traditional means that do not disrupt production. De la Garza concludes that these results have been reached largely through the longstanding institutional relationship between Mexico's largest unions, the ruling party, and business. What remains to be seen is whether this strategy will help bring about the desired economic boom and whether independent and democratic union activity will be permitted to thrive and play a role in the attempt to enhance Mexican prosperity.

As Russell Smith notes, NAALC's lofty aim is to increase mutual prosperity by promoting competition based on innovation and rising levels of productivity and quality rather than the reduction of wages and labor rights. It attempts to do so by creating a largely consultative mechanism

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that focuses primarily on whether each country fairly enforces its own law. Smith concludes that if NAALC is to take us up this high road, trinational labor and professional organizations must be formed to engage in cooperative activities and make better use of it. However, he does not directly address organized labor's argument that NAALC is ineffective as judged by the results in specific submissions. For instance, despite ministerial consultations, reports, and studies, the discharged workers involved in the Mexican Sony plant submission have not been rehired; they report being blacklisted from other area employers; and their effort to register a second, independent union completely failed (NAO 1996). Why then should labor engage in such a "cooperative" process?

In spite of this result, I agree that NAALC has had a positive impact in some important respects and that contrary to its own interest and that of many U.S. businesses, organized labor has not fully engaged NAALC. Truly, it must look beyond our national borders and take advantage of the tools that are available to it if it expects to prosper. Using NAALC successfully requires a long-term strategy and commitment that may not provide immediate gains. We should recognize that in the case of Sony, affording Mexican workers the right to register a second union strikes at the heart of a long-established relationship between the dominant trade unions, business, and the ruling party, as found in the tripartite conciliation and arbitration boards which process union petitions.[1] Such institutions, their method of decision making, and their decisions generally do not change overnight. Still, NAALC has had and can have more of an impact.

I discovered an important hint of this possibility in Mexico City while acting as a U.S. representative in the ministerial consultations on the Sony submission in September 1995. In a drama without precedence, dissident Mexican trade union representatives and lawyers publicly criticized and questioned Mexican government officials in front of the media and U.S. and Canadian delegations in the office of the labor secretariat. Thus the NAALC consultations brought disenfranchised parties into a high-level public debate from which they traditionally had been excluded. The NAALC institutions have also promoted the exchange of information and discussion of experiences through trinational conferences.

Moreover, changes in Mexican labor law and practice have become more widely debated and it appears that NAALC has helped the process along. For example, the Mexican Supreme Court recently found, in addressing an issue very similar to the primary issue raised in the Sony submission, that a state law limiting the number of unions that could be formed in a governmental body is unconstitutional because it interferes with the employees' freedom of association.[2] Other examples of a growing

debate over changes in labor law and practice have been raised by the Principles of a New Labor Culture, recently signed by labor and business representatives in the president's residence and by an opposition party's (ultimately unsuccessful) proposed reforms (NAO 1996).

Granted, these and other similar changes should not make us misty-eyed enthusiasts convinced that NAALC is the grand vehicle that will carry us easily and far along the high economic road, but it has had an impact and it does open up possibilities that have not been explored. For instance, no submission as yet has squarely raised one of the few issues that could lead to sanctions and be fully explored in all three countries, for example, health and safety protections. Pending NAALC submissions raise new issues and may lead to different outcomes. Of course, the question remains as to whether and how NAALC can be changed.

With a more clear understanding of the impact of NAFTA and the role and limitations of NAALC, we can better consider how and under what circumstances we should enter into free trade agreements with South American countries such as Chile. Edward Epstein reminds us, in a limited manner, of the importance of considering the individual circumstances of each country. With these experiences and lessons in mind, we must ask again: What should be the role of labor standards in any future free trade agreements, and is NAALC the proper model?

Author's Note

The views expressed herein do not necessarily reflect the views of the National Labor Relations Board or any board member.

Endnotes

[1] See Kevin J. Middlebrook and Cirila Quintero Ramirez (1996). *Conflict Resolution in the Mexican Labor Courts: An Examination of Local Conciliation and Arbitration Boards in Chihuahua and Tamaulipas* (available through the U.S. NAO).

[2] The registration of a second union does not entitle it to collectively bargain for employees. To take this authority from the first union, it must show majority support.

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DISCUSSION

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These papers are disparate in subject matter, but together they provide a valuable survey of key labor issues related to NAFTA and proposals for extending free trade to the rest of the Western Hemisphere.

Russell E. Smith presents an excellent synopsis of the North American Agreement on Labor Cooperation, a complex instrument with a variety of novel institutions and mechanisms for implementing a labor agreement as part of a free trade pact. He points to the dispute between those who criticize the NAALC for lacking explicit and enforceable labor standards, and observers and participants who see it as a "useful worker rights, political, and organizing tool."

Smith elaborates upon three main features of the NAALC: (1) cooperative activities; (2) research and reporting; and (3) complaint-handling, pointing to the potential for promoting labor rights through creative application of these mechanisms. At the same time, he cautions that labor and business groups of the three countries may be more inclined to see the national arena, or the global arena, as higher priorities than the regional NAFTA arena for labor rights advocacy. He correctly expresses skepticism as to whether intergovernmental cooperation, consultation, and information exchange by themselves will influence labor market outcomes. I agree with his recommendation for labor movements to develop a trinational strategy and, along with NGOs, to push the NAALC processes to their limit, and for those in the academic community to incorporate serious treatment of worker rights issues into the business school curriculum.

Enrique de la Garza provides a concrete look at what is happening on the ground in Mexican workplaces and in labor relations discourse generally in that country. This is exactly the kind of detailed breakdown of specific sectors, with such variables as firm size and export dependency, that is needed to evaluate the effects of trade liberalization. He appropriately cautions that it is difficult to isolate the NAFTA factor as such from other developments in Mexico's economy, particularly the devaluation of the peso, but his review of various indicators begins that difficult task.

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The discussion of the polarization between large, export-oriented firms and smaller enterprises more oriented to the internal market is especially instructive about the disparate effects of trade liberalization. The fact that larger firms are developing a labor force model with a small cadre of skilled workers alongside a large group of young, low-skilled, high-turnover workers has important implications for labor relations and labor market policies. Taking the reader through recent phases in industrial relations—the "flexibilization" drive from 1987-1992, the "productivity bonus" phase of 1992-1994, and the "new labor culture" initiative since 1995—de la Garza describes Mexico's attempt to come to grips with the pressures of regional integration and the growing role of multinational firms. The role of the relatively few companies that account for a massive proportion of Mexico's exports is especially important, since it is clear that the low-wage advantage still drives the NAFTA dynamic in Mexico.

De la Garza ties these labor market and labor relations trends to Mexico's still strong system of state corporativism in labor affairs, marked by a continuing organic relationship between the "official" trade union movement and the ruling Institutional Revolutionary Party. He concludes that a waiting period is needed before one can expect fundamental changes in the political system that will lead to a breakup of the corporativist arrangement and any decisive change in the labor relations system. Those interested in such developments will have to watch and analyze the 1997 midterm legislative elections and the accompanying first-ever election of the chief executive of the Federal District (previously appointed by the PRI), as well as the ensuing presidential election in 2000, to understand where Mexico's labor relations system will go in the period ahead.

Edward C. Epstein offers a sobering look at the state of Chilean trade unions and the effects of the 17-year military dictatorship there on what had been one of Latin America's strongest, most vibrant labor movements. His comparison of the modest labor law reforms of 1991, after the military stepped down (but did not go away, maintaining effectively a veto power over far-reaching change), to the proposals for new labor law reforms now pending in the Chilean Congress reflects some key issues in current debates over labor relations and trade. The lack of protection for workers in the key agricultural export sector, an important source of foreign earnings for Chile, and the restrictions on industrywide collective bargaining in manufacturing and other key trade sectors are prime examples.

Proposals to correct these flaws in Chilean labor law are stalled in Congress by a group of "old guard" appointed Senators who see themselves as protecting the military regime's economic policies. Almost desperate for assistance in confronting this blockage, Chilean trade unionists are seeking

help in connection with NAFTA, Mercosur, and other trade arrangements that carry a social dimension. Thus, for example, they signed an agreement with the AFL-CIO to oppose Chile's entry into NAFTA, opting instead for a bilateral trade agreement with the United States containing a strong social clause. This is not a realistic alternative, however. I believe that Chilean unions could advance their interests and U.S. unionists could support them by creative use of the NAFTA labor side agreement, if Chile comes into the NAFTA, or before then, if the U.S. labor movement would enter the "fast-track" trade authority debate now underway in Congress by offering to support fast track only if prolabor reforms are enacted in Chile.

XII. "TO STRIKE OR NOT TO STRIKE": COLLECTIVE BARGAINING STRATEGIES IN THE 1990s

Collective Bargaining with Multinational Rubber Companies: The Case of Local 670 and Pirelli–Armstrong

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When today's U.S. unions face the question "to strike or not to strike," they make their decision within an intensely hostile environment. As reflected in the dramatic decline in strike activity in the 1980s (Kaufman 1992), many unions decided to accede to management's concessionary agenda. Increased globalization of the competitive, largely unregulated marketplace during the 1990s saw continued corporate reliance on confrontational hard bargaining (Nulty 1994; Voos 1994). Many resulting labor-management conflicts play out against the backdrop of this global economy where local and national unions struggle to get multinational corporations to bargain in good faith (Brecher and Costello 1994; Tilly 1995). Some argue that an emerging class of "supranational" corporations are using hard bargaining as a global strategy to reduce labor costs by lowering wage, benefit, health, and safety standards, while raising productivity and profit levels (Moody 1994; Ranney and Schwalb 1995). This paper presents a case study of United Rubber Workers (URW) (now Steel Workers) Local 670's strike against the multinational tire producer Pirelli-Armstrong.

Beginning in the late 1980s, a wave of restructuring and consolidation gripped the world tire industry (Sasseen 1993). The level of merger and

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acquisition activity was especially intensive in the U.S. market affecting every major American producer, except Goodyear and Cooper. Continental of Germany bought General Tire in 1987; a year later, Bridgestone of Japan purchased Firestone, while Pirelli of Italy acquired Armstrong Tire. The French Michelin Group bought Uniroyal Goodrich and Yokohama of Japan bought Mohawk in 1989. Most corporations argued that these mergers were attempts to penetrate the high volume North American market. The "Big Three" (Bridgestone, Michelin, and Goodyear) initiated a cut-throat price war, reducing profit margins to levels sustainable by only the largest and most diversified producers (Browning 1993).

The Italian-based Pirelli is a mid-size producer that has had continuing difficulties competing in the global tire market. Pirelli responded to their larger competitors' consolidation drives by starting a series of corporate and financial reorganizations, launching several takeovers, and generating numerous merger and joint-venture rumors (Evans and Lee 1989). Pirelli began examining its corporate strategy in answer to two changes. Goodyear's development of radial tires in the U.S. drastically changed product markets and technology. Second, Michelin's new nonunion manufacturing plant in South Carolina was seen as undermining collective bargaining in the highly organized U.S. tire industry, giving Michelin greater ability to control wages and working conditions. Given the preeminence of the U.S. market, Pirelli anticipated that these changes would have global ramifications (Perulli 1986).

Pirelli began efforts to expand their operations first in the U.S. with the purchase of Armstrong in 1988, followed three years later by the hostile takeover bid against German tire producer Continental AG. The latter merger spun quickly out of control, leaving Pirelli $3 billion in debt and over a half billion dollars in losses for fiscal 1991 (Leading Edge Reports 1995). In desperate need of cash (its 1993 corporate debt was estimated to be DM 2.5 billion), Pirelli sold its stock at DM 100 below its 1991 purchase price and consequently lost an estimated $300 million (German Brief 1993; Reingold 1993). The Continental losses became the wedge for greater bargaining concessions from Pirelli-Armstrong's (PA) U.S. plants (Johnson and Johnson 1995).

The $196 million purchase of Armstrong Tire in 1988 was intended to establish Pirelli in the U.S. market and thus make it a significant global player (Goldbaum 1988). As in the Continental bid, Pirelli's actions were beset by serious strategic miscalculations. According to URW 670 President Stan Johnson, Pirelli overvalued the Armstrong purchase. The plants were far less productive and needed far greater capital improvements than had been anticipated when Pirelli acquired Armstrong (Johnson and Johnson

1995). Indeed, the purchase required a subsequent injection of $120 million for capital improvements. Pirelli hoped to challenge Japan's Bridgestone by competing both in the premium, high performance and in the low-cost replacement U.S. market niches (Goldbaum 1988). Despite Pirelli's acquisition, market analysts concluded that it remained too small to compete effectively across the board in the U.S. market. The acquisition, as noted, occurred in the middle of the Big Three's price war. Pirelli-Armstrong also lacked the market presence to resist powerful U.S. retailers that forced smaller producers to accept lower prices. This double-edged squeeze on profit margins led Pirelli-Armstrong to lose money through the early 1990s (Browning 1994). Pirelli's diminutive size, its inability to expand to become a significant global producer, and its lack of strategic focus cost the company and its stakeholders dearly. Pirelli's worldwide tire business had repeated annual losses since 1991. In 1993, while tire makers such as Michelin and even its mid-sized rival Continental finally posted gains after three years of losses, Pirelli again posted massive losses—in this year FL 157 million (Sasseen 1993). In response to these losses and in line with the industry trend, Pirelli has since 1992 been moving from expansion through acquisition to restructuring through cost-cutting (Sasseen 1993).

All three of the Armstrong plants purchased by Pirelli were covered by URW contracts, and Local 670 represented hourly workers at the Tennessee location. The first formal contract negotiations with the Italian-based corporation were in 1991. The contract was overwhelmingly ratified by URW 670's membership and marked no important changes from the 1988 contract. Union-management relations from 1991 until the fall of 1993 were generally cordial. Beginning in 1992 Pirelli responded to profitability problems by global restructuring through deep cost-cutting. These broader pressures were reflected at the plant level. Following the Continental debacle, URW 670 felt increasing pressure to provide the company increased "flexibility" and productivity. Noncooperation escalated into adversarialism when Paul Calvi, Pirelli's new U.S. director of operations, announced in December 1993 the concessionary agenda it would pursue in the 1994 negotiations.

Negotiations on local issues at PA began May 24, 1994, with national bargaining scheduled for June 20 in Cleveland, Ohio. Local union leaders at the three Pirelli-Armstrong plants had every expectation of arriving at a contract in June. According to Stan Johnson, negotiations started "extremely well" with settlement of some $40,000-$50,000 worth of grievances. However, as the local negotiators moved beyond grievances and started to discuss bonus systems, Pirelli's bargaining representative was abruptly "shut down" (Johnson and Johnson 1995).

National bargaining during June proved much tougher than expected, and on July 7 the company circulated a letter notifying the union they would no longer provide health care benefits for retirees (Johnson and Johnson 1995). The company demanded concessions in virtually every other article of the contract, including reductions in pay and the company's requirement for greater flexibility in work assignments. Three days later PA advertised for replacement workers, a full five days before expiration of the contract. The union concluded that PA had no intention of reaching agreement with its unions (United Rubber Workers 1994).

On July 15, URW Local 670 overwhelmingly voted to strike, rejecting the company's concessionary proposals, especially their demand to eliminate retiree benefits. The company straightaway brought in private security guards. The first replacement workers were hired on August 26. By the end of the strike, Pirelli employed 1,200 replacements (AFL-CIO News 1995). Between July 15 and September 8, the company advanced even harsher proposals—this time without bargaining. Pirelli-Armstrong implemented new terms and conditions of employment on September 9 and the same day began hiring permanent replacements for its striking employees. The URW at once filed charges with the NLRB alleging that these actions had converted the conflict from an economic to an unfair labor practice (ULP) strike. The URW also filed two federal suits to bar Pirelli-Armstrong from removing retiree benefits (Johnson and Johnson 1995). Formal contacts between the union and company broke off.

URW 670 began a comprehensive strike plan in mid-July that pitted the union against the company in an end game. Local Vice-President John Johnson argued that the leadership effectively convinced the membership that "they may never go back . . . [that the strike] could be a life change." Internal union polling revealed that the membership, especially on the retiree issues, remained resolute in their determination to stay out on strike as long as necessary to get a contract. The retiree issue made URW 670's end-game approach possible. The leadership used labor rallies and letter-writing campaigns that emphasized the retiree issue and portrayed the strike as the "front line of the battle" in the war between organized labor and "foreign-owned multinationals" (United Rubber Workers 1995). According to Stan Johnson, this "put pressure on us and the membership to uphold labor's position because . . . it gave [us] the cause" (Johnson and Johnson 1995:16).

The local union also initiated formal contacts with Pirelli's Italian employees and unions, which included coordinated demonstrations at the company's headquarters in Milan. Pirelli's American workers got little, however, beyond moral support from the Italian unions. Cultural differences,

sometimes national chauvinism, proved insurmountable, especially since no contact between workers and their unions preceded the strike at Pirelli's American plants. Additionally, neither side understood clearly the political and industrial relations frameworks that the other operated under. Cursory contacts with Pirelli's Turkish and Brazilian operations proved to be of no help. It became clear to the local leadership that if the strike against Pirelli-Armstrong was to be won, it would be done locally, based on the relative bargaining power of the parties within the legal framework of U.S. industrial relations.

URW 670 approached picketing very aggressively. The local generally kept 140 people on the line at shift changes. Community support was unusually high when considering the strike took place in a historically antiunion community and a right-to-work state. Again, the retiree issue appeared to provide the glue that held the local-community alliance together. Through a concerted strategy aimed at the local media, URW 670 kept community attention focused on this issue. The union established reasonable rapport with the local media by turning out large numbers at their early rallies. While coverage was not always prounion, "they weren't always negative either" (Johnson and Johnson 1995:19).

The emotional intensity of the strike issues combined with the local's aggressive posture toward picket-line crossers appeared to keep local defections down to extraordinarily low levels. According to Stan Johnson, during the nine months of the strike only one bargaining unit member crossed the line (he has since quit!). On discovering that the company had placed ads for permanent replacements, URW 670's leadership worked to fight the members' fears of being permanently replaced. Their strategy was to approach the strike as an end game. The legal status of the replacements (temporary or permanent) had no bearing on members' ultimate job security.

On February 24 NLRB Region 8 Director Frederick J. Calatrello ruled in URW's favor on charges that Pirelli-Armstrong was bargaining in bad faith, converting the conflict to an unfair labor practice strike effective September 8, 1994. Following the ruling, on February 28, the URW made an unconditional offer to end the strike and return to work, triggering the company's duty to reinstate the strikers. The union and company went back into negotiations on March 15, 1996, with the union expecting to settle at prestrike wage rates (BNA 1995a).

The union and company agreed to a new three-year contract on March 27, 1995. The union made noteworthy concessions, but nothing nearly as austere as the original offers made by the company. Average hourly wages fell from $17 to $16.34, compared to the company's original proposal of a

$14.50 average. Health insurance coverage fell from 100% of medical expenses to 90%, with the company paying all premiums. The most meaningful victory, in the union's view, was PA's agreement to continue lifetime medical benefits for retirees. All strikers returned to their jobs with the new collective bargaining agreement.

URW 670's defensive victory raises the question: How can a small local with limited national (let alone global resources) strike effectively against a large multinational corporation determined to use confrontational, hard bargaining? Key to this confrontation was Pirelli's string of disastrous attempts at global expansion. Pirelli's corporate mistakes and vulnerable market position brought them to the bargaining table in a concessionary, hardball mode, but they also left the company with little financial or market power to back up their demands. Given Pirelli's limited financial means, the accrued debt made it difficult for them to face a long and costly strike.

Pirelli-Armstrong's market position and size made it possible for URW 670 to impose significant costs on the company. The Armstrong plants produced one product—low end replacement tires. In addition, all three plants were unionized. This meant that when the URW locals struck, they shut down the entire U.S. Pirelli-Armstrong operation. The strategic importance of the Armstrong plants both raised the stakes for Pirelli and ironically provided bargaining leverage for the URW.

Beyond these contextual factors, there were important organizational and strike-specific factors that help explain URW 670's success. Although Pirelli went after every major part of the existing contract, the flashpoint issue was retiree benefits. This became, for real and symbolic reasons, the strike issue. The strike now had a moral center beyond their local union and appealed to wider union and community sympathies. As Jarley and Maranto (1990) argue, a union's ability to identify a "legal and moral imperative" is critical to a successful union corporate campaign. While they argue that this imperative is lacking in most disputes over contract terms, the revocation of retiree benefits clearly struck a legal and moral chord with the URW members and public.

URW 670's aggressive strike strategy turned these fortuitous factors to their advantage. Local leadership took bargaining-specific issues and turned them into a broader moral struggle between working class Americans and foreign-owned multinationals. The end-game approach converted an economic strike into an all-or-nothing proposition for the membership. Despite the hiring of 1,200 permanent replacements, URW 670's endgame nullified the significance for the membership of the normal legal distinctions between temporary and permanent replacement. Finally, the conversion of the conflict from an economic strike to a ULP strike was clearly

decisive. It would be hard to argue that URW 670's unconditional return represents an offensive victory. However, the ULP conversion imposed the very real potential future costs of having to pay back wages to illegally replaced strikers, and it kept a lid on PA's future costs by not expanding the economic bargain. As Jarley and Maranto (1990) argue, the ability to skew the company's cost-benefit balance in this direction may be a key to a union's success. This case illustrates that even in a globalized industry such as tire production, traditional and local factors underlying bargaining power retains considerable significance in deciding the outcome of a strike.

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Dignity, Justice, Whatever It Takes: The SEPTA Strike of 1995

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Historically, the ability to threaten or actually conduct an effective strike has been one of the most powerful weapons in the trade union movement's arsenal. In recent years, however, the strike weapon has become increasingly dulled and much less frequently utilized, with the incidence of strikes involving 1,000 or more workers reaching a fifty-year low in 1995 (Kilborn 1995; Greenhouse 1996).

The reasons for the strike's diminishing use and effectiveness are well known. Over the last fifteen years, the record is replete with examples where strikes have either been resoundingly defeated (PATCO, Phelps-Dodge, Greyhound) or turned into protracted struggles (Caterpillar, Staley, *Detroit News/Free Press*) with the union unable to secure an acceptable settlement. Political leadership has frequently been indifferent or openly hostile to strikes, leaving unions with an unlevel playing field upon which to wage industrial conflict. In addition to heightened employer resistance and political nonsupport, convulsive shifts in the American economy have led to widespread anxiety over job security, leaving workers extremely reluctant to risk going on strike. Finally, the relentless globalization of capital and the rise of new technologies have left companies much less vulnerable to the strike threat, making it far more difficult for unions to exert leverage on their employers.

Given these constraints, Transport Workers Union Local 234's (TWU) 1995 strike against the Southeastern Pennsylvania Transportation Authority (SEPTA) looms as an impressive achievement. For fourteen days this 5,200 member union waged an aggressive strike against one of the nation's largest regional transportation systems. The strike occurred in a city (Philadelphia) whose mayor had gained national attention for wresting substantial concessions from powerful municipal unions just three years earlier. The political context was equally daunting, as SEPTA's board of directors, Philadelphia's mayor, and Pennsylvania's governor were all determined to minimize the union's contractual gains in the face of dwindling subsidies

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from both federal and state government. How, then, was Local 234 able to win a good settlement in such a hostile environment? And are there lessons in its experience that might be applicable to other unions seeking to revive the strike weapon and restore a sense of balance to their relations with management?

In order to appreciate the dynamics of the strike, it is necessary to understand the historical relationship between SEPTA and the TWU and the expectations each party brought to the bargaining table in 1995. Legally constituted as a regional public authority in 1965, SEPTA oversees an array of transportation services in Philadelphia and four neighboring counties. TWU Local 234 first gained bargaining rights in 1943 when the agency was privately administered, and its relationship with SEPTA has traditionally been contentious. Nine wildcat strikes broke out between 1955 and 1960, and in the next two decades the union struck on eight separate occasions. By the mid-1980s, however, with the arrival of new leadership at both SEPTA and the TWU, relations between the parties improved dramatically. The union and SEPTA agreed to a labor-management cooperation program in 1989 that came to be known as "New Route." Although New Route was eventually dissolved, SEPTA and the TWU continued to work cooperatively in attempting to improve service and make operations more efficient. Indeed, prior to the 1995 strike, the union had not struck in nine years, testifying to the changed bargaining relationship between parties for whom striking had become a customary means of settling negotiating deadlocks.[1]

The 1995 contract talks between SEPTA and the TWU were clouded, however, by a series of developments that quickly led to a stalemate. Shrinking federal subsidies and cuts in state aid left the agency with limited ability to meet the union's rather modest economic demands. These budgetary constraints led key members of SEPTA's politically appointed board of directors, already angered by what they regarded as a too-generous settlement in 1992, to depart from past practice and exercise much greater influence over the 1995 negotiations. Philadelphia Mayor Edward Rendell, fresh from a stunning triumph over municipal unions in 1992, proclaimed that the "Philadelphia Model" should also apply to SEPTA and the TWU. Under this formulation any improvements in wages or benefits would have to be financed solely by internal savings or union concessions rather than any infusion of new monies. SEPTA's negotiators steadfastly advanced this position throughout bargaining and also sought concessions on other issues that especially rankled the union, including demands for copayments on health insurance, relaxation of the union's no-layoff clause, and extension of the probationary period for newly hired workers. In Local 234's view, the

SEPTA board, driven by an unabashedly ideological agenda, was seeking to "get tough with the union," thereby threatening the integrity of the contract and the TWU's institutional security.[2]

The union was by no means insensitive to SEPTA's fiscal woes. Nonetheless, it insisted on a package of annual 3% wage increases modeled on a recent settlement with transit workers in Pittsburgh, along with improvements in pensions, sick leave, and changes in the grievance procedure and assignment of work that would grant the union greater shopfloor control. When confronted by the claims of SEPTA management and elected officials that the contract could not be financed by new money, the union was well prepared to counterattack. Local 234 pointed to its long record of cooperation with management in making the authority more efficient, citing a joint health care cost containment committee that had saved SEPTA upwards of $40 million and ongoing efforts to lower workers' compensation costs and passenger accident claims. Moreover, the union also raised the issue, both at the bargaining table and in the media, of what it called "pinstripe patronage." This term described the estimated $100 million in contracts that SEPTA awarded on a no-bid basis, often to cronies of board members and their political patrons. By pointing to its cooperative achievements and spotlighting the agency's own wastefulness, the union was able to inoculate itself against the type of ideological assault that has often left public employees at the mercy of their adversaries. As the *Philadelphia Inquirer* editorialized: "TWU is that rare union that has seen the future and joined it."[3]

While Local 234's leadership hoped to avert a strike, it began careful preparations for a possible walk-out and reaped the benefits of having already established a "mobilization approach" to collective bargaining. Since assuming office in 1986, Local 234's new leadership consistently encouraged broad participation in the affairs of the union, involving members extensively in collective bargaining, politics, and cooperative programs with SEPTA management. In preparing for the possibility of a strike, the union built on this well-established record of encouraging membership involvement. Contract proposals were solicited via membership surveys and ratified at a public meeting attended by nearly 1,000 of the union's 5,200 members. A strike committee of approximately 100 people planned the logistics of picketing schedules and internal communication, while 25 member location committees laid the groundwork for job site activities. The committees were supplemented by the creation of the "special forces," several hundred of the union's most dedicated partisans who became the shock troops for militant action during the eventual strike. While these preparations were neither original nor pioneering, they reflected a participatory

spirit and degree of organizational sophistication that had not come overnight but which had evolved as a conscious result of Local 234's commitment to a mobilization approach.[4]

As the contract expiration date of March 15 approached, SEPTA continued to insist that no new money was available to finance wage and benefit hikes. Negotiations shifted onto a new track several days prior to expiration when union president Harry Lombardo and SEPTA Chief Executive Officer Louis Gambaccini were invited to attend a gathering of local clergy at the behest of the Philadelphia NAACP. At this meeting community leaders implored the parties to settle their differences without subjecting transit-dependent urban residents to a crippling strike. While TWU was surprised by this request, it subsequently agreed to postpone a strike, concluding that taking the unprecedented step of deferring to community sentiment would reinforce its image of reasonableness and affirm its commitment to the riding public.[5]

The two-week contract extension passed without progress, although SEPTA did make an eleventh-hour wage offer, a backloaded series of pay increases, that moved closer to the union's position. Without additional improvements in pensions and sick leave, however, the union saw no alternative but to strike, which it did on March 27. The TWU's strike strategy was succinctly revealed in the slogan it used to rally its members: "Dignity, Justice, Whatever It Takes." As union President Harry Lombardo explained to a meeting of the Philadelphia AFL-CIO, the TWU had "no intention of conducting a passive strike." In the union's view, a traditional strike confined to worksite picketing would go unnoticed, quickly drain morale, and exert minimal political pressure. Accordingly, Local 234 determined to maintain a high level of membership activity, targeting political leaders for abdicating their responsibility and seeking to spread the pain of the strike from the city to the suburbs. This "suburban strategy" was key for the TWU, for SEPTA's board of directors was controlled by its suburban representatives. If suburban riders could be made to suffer, they might then be impelled to pressure board members to settle the strike.[6]

What ensued was two weeks of whirlwind activity designed to make the strike an issue that could not be ignored by political leaders, the media, or the public. The union picketed Philadelphia Mayor Rendell and Pennsylvania Governor Tom Ridge, sent delegations to lobby other political leaders, and even took over the Philadelphia city council's chambers to chastise its members for refusing to intervene. Strikers visited small businesses in downtown Philadelphia who saw their Easter sales dropping and requested that the merchants press the SEPTA board to bargain seriously. Perhaps most importantly, the union's "special forces" staged a series of surprise

predawn "raids" on suburban commuter stations, blocking train tracks and not dispersing until county judges could be roused to issue injunctions. The "suburbanization" of the strike, along with its devastating effects on Philadelphia merchants, created intense pressure on SEPTA to settle. On April 11, with the Philadelphia Mayor's chief of staff driving the process, the parties reached a tentative agreement, which included wage increases totaling 9% over three years, improvements in pensions and sick leave, and an expansion of union rights regarding the assignment of work. SEPTA saved some face by holding to its claim that no new money would be used to finance the contract. But it revised upward its estimates of cost savings from joint efficiency initiatives and found additional funds through managerial cost cutting in order to satisfy the union's economic demands.[7]

What are the implications of this strike, which represented a rare success for contemporary unions? Obviously, Local 234 possessed enormous strategic advantages much less available to other unions. SEPTA was in no position to replace striking workers, allowing the union to bring regional mass transit to a virtual halt. But even with this ability to paralyze operations, the union creatively maximized its advantage in ways that are instructive.

Typically, unions have lost the public relations battle while on strike, being depicted by their opponents as "greedy" and insensitive to public concerns. TWU, however, with its consistent record of labor-management cooperation, cultivation of community allies, and accessibility to the media, was able to withstand political attacks that have usually proven devastating for striking unions, especially in the public sector. Its militancy during the strike also belied the claim that participation in labor-management cooperation programs invariably dulls adversarial impulses and inhibits unions from forceful action on behalf of their interests. Finally, Local 234's staunch commitment to a mobilization approach enabled it to implement a creative strategy that transcended the parameters of the traditional, work-site-centered picket line. Admittedly, the strike was short, and sustaining such an aggressive approach might well have been difficult in a protracted conflict. Nonetheless, the union's ability to expand the scope of the strike clearly demonstrated that its participatory culture was a crucial element enabling it to engage in effective, militant action.

The special circumstances of this strike dictate caution in drawing excessive conclusions. The obstacles to conducting successful strikes remain real, and it would be unrealistic to anticipate any sweeping revival of the strike as a union tactic. The SEPTA strike does suggest, however, the possibility that even in a foreboding environment, a creative, determined union with a firm commitment to membership mobilization and cultivating

community support can deploy labor's "ultimate weapon" with power and authority.

Endnotes

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When Striking Is Not an Option: The 1992 Utility Workers, Local 1-2 Contract Campaign

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In June of 1992 the Utility Workers Union of America (UWUA), Local 1-2, representing 13,000 electrical workers, won a "monumental and historic labor victory" against the Consolidated Edison Company (ConEd) of New York.[1] Local 1-2's achievements came against sizable opposition. ConEd had indicated that unless the union unconditionally accepted a particularly harsh contract, it was prepared to lockout its unionized workforce and to operate its facilities with management personnel. Despite a hostile and powerful employer and two successive concessionary contracts, Local 1-2 won an agreement that was arguably one of the best to be negotiated in more than two decades.

The union's success was a product of an imaginative contract campaign. According to Business Agent Jerry Waters, the campaign succeeded because the union's "old leadership was predictable" and the company never "expected these kinds of tactics from green-horn leaders."[2] As "mobilization coordinator," Waters was one of the union's key campaign strategists. Elected to office in 1990 on the Justice party ticket, Waters symbolized the union's increased radicalization.

A militant leadership was crucial to the fortunes of the campaign because it allowed the union to dictate the terms upon which the contract negotiations would be fought over. From the first steward training session held six months before the campaign began, to the ultimate labor rally that occurred just days before an agreement was reached, ConEd was reacting to the union's moves. Instead of the past pattern of "negotiate to impasse, then strike, then replace workers," Local 1-2 avoided doing anything predictable.[3] While ConEd had good reason to believe that 1992 negotiations would be neatly contained around a bargaining table, they were surprised by the confrontation that ensued everywhere else.

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To be effective, union actions had to apply either economic, social, or moral pressure on the company. Waters and union activist "CC" Borcherding both admitted that most actions did not appear to dislodge the company from its intransigence. According to Borcherding, it was not until a large membership rally held just five days before an approved strike date that workers "felt a sense of power."[4] She argued that the rally was essential because the union had convinced ConEd that the membership was "a time bomb waiting to go off." Prior to the rally, rank-and-file membership appeared supportive but cautious of the campaign.

Borcherding's observations suggest two critical yet contrary interpretations of the union's efforts. On the one hand, it implies that the campaign was not rank-and-file driven. Most workers were "on board" but had not been asked before the rally to do anything. This had the effect of restraining worker participation in the campaign. On the other hand, the threat of mass action hung over the company for many months. When 4,000 workers eventually turned out for a boisterous rally at ConEd's New York City corporate headquarters featuring Jesse Jackson, local labor leaders, and city politicians, it must have appeared to the company that the metaphorical bomb's fuse had been lit.[5] Waters pointed out that the action "threatened" the company's board of trustees into holding an emergency meeting the evening of the rally in order to release additional money to settle with the union.

The employer's response to the rally was most likely a recognition that a large, damaging, unified, and publicly supported strike could occur. But that response, according to Waters and Borcherding, was predicated upon the mobilization of union members and allies. Prior to the rally, the union had participated in a number of oppositional practices designed to mobilize their membership, to leverage available influence, and to draw secondary forces into the conflict. The rally brought into focus in a dramatic way the consolidated forces arrayed against the utility giant.

Before examining these "leverage opportunities," it is important to note that every union action can be categorized as an internal mobilization tactic or as an oppositional act of resistance."[6] Waters claimed that the two most potent leverage opportunities were political. The first was Democratic control of the two highest elected executive positions in the state. Mayor David Dinkins and Governor Mario Cuomo had both assumed office with strong labor support. The union managed to use its influence with the mayor by reminding him that in 1983 a very costly and violent strike between Local 1-2 and ConEd had cost the city thousands of dollars in police overtime. Along with crowd control the police had been dispatched to protect company property. This time around, however, Dinkins informed ConEd that in the case of a strike, city law enforcement would not

be used to defend company property. As Waters pointed out, this raised the company's "cost factors" in resisting the union.

Local 1-2 then persuaded Governor Cuomo to oppose a utility-requested rate increase and to publicly state that he would not look favorably on an alleged company plan to "lockout" its unionized workforce.[7] Cuomo's position on a rate hike had to be taken seriously by ConEd because the governor appointed members to the state agency responsible for granting increases, the Public Service Commission (PSC).

Cuomo also made one additional important gesture. He offered the services of a distinguished labor mediator to settle the dispute.[8] The choice of mediator had the effect, as Cornell University Director of Labor Studies Jim Miller indicates, of putting the full power and prestige of the governor's office at the disposal of the combatants.[9] The union quickly accepted the offer. ConEd initially resisted but then welcomed the mediator's help after being characterized as unreasonable for not submitting their position to objective analysis.[10] Along with the mayor's cooperation, attaining the use of the governor's mediator were classic examples of using "secondary targets" (i.e., the mayor and governor) to apply pressure on the "primary target" (i.e., ConEd).[11]

The second leverage opportunity grew out of the city's hosting of the July 1992 Democratic Party Convention. Local 1-2 used the threat of a city "brown out" and demonstrations outside of Madison Square Garden to prod "friendly" Democratic politicians to pressure ConEd to make concessions. The union made a point of recalling for the party's chief operators that during the 1983 strike the "Gardens' electrical network went on the 'fritz,' plunging the building into darkness."[12] Newspaper stories had also reported that "summer is New York's biggest power usage season" and that a "major blackout would spell disaster."[13] Local 1-2 backed up the thinly veiled threat by refusing to endorse a New York City Central Labor Council resolution promising "labor peace" for the duration of the convention. The implication for the company was that a strike could extend through the convention period and with skilled workers carrying picket signs any serious energy delivery problem would be difficult to handle.

While Waters contended that the Democratic convention provided an incentive for the company to be more conciliatory, Borcherding questioned its actual leverage potential. She argued that the "convention was too well protected and we could never have set up pickets anywhere close." What both did agree on, however, was that no Democratic party leader wanted to answer for a "Garden party pooper" caused by a major work stoppage.[14] In this way the union once again leveraged its political clout to push ConEd in a favorable bargaining direction.

The ability of Local 1-2 to leverage political power against the company was enhanced by the quasi-public nature of the employer. ConEd is a publicly regulated, private utility. Its fortunes are influenced by the decisions of a politically sensitive Public Service Commission obligated to place utility issues before the public. ConEd also is the exclusive provider of an essential service to New York City. Its rate payers are city residents, taxpayers, workers, voters, and potential antagonists. The public nature of the company exposes it to political and social pressure. Local 1-2 took advantage of this leverage opportunity by soliciting customer support for a work stoppage. In an elaborate phone survey, the union gauged the community's understanding of the union's issues and identified conditions under which ratepayers would support a strike. Their findings revealed among other things that public safety issues would garner broad support. Armed with this knowledge, the union used flyers and radio and newspaper ads to bring attention to ConEd's indifference to public and worker safety.[15] ConEd's captive relationship with its customers made it possible for the union to leverage ratepayer discontent to threaten the utility with a consumer backlash.[16]

Now as Waters and Borcherding admitted, exercising political and public opinion leverage required nothing substantial from the rank-and-file worker. A third leverage opportunity, however, did involve a large number of workers in an empowering action. Local 1-2 had devised an "in-plant" strategy by conducting brainstorming sessions with their stewards. Of the nearly 50 actions contemplated, the one most widely used and costly for the company was the "18-point check." As a rule, before drivers are allowed to take a vehicle onto the road, they are required to go through an extensive 18-point safety check. Under normal working conditions, drivers bypassed the complete inspection. ConEd encouraged this "shorthand" practice by pressuring workers under penalty of discipline to get to their work sites on time. But the months preceding the 1992 contract expiration were not normal times.

At three major vehicle distribution locations, Local 1-2 business managers handed every driver a copy of the field manual with directions to "fully comply." Immediately, company supervisors challenged the application of the manual. But business managers threatened to notify the appropriate governmental regulatory board of a violation unless the inspections occurred "before it [truck] goes out."[17] In this instance, the union interrupted the normal work process by leveraging company-endorsed safety regulations and sensitivity to meeting public and private contracts.

In addition to the safety inspections, workers also took advantage of the company's fear of labor unrest in more retail ways. Company supervisors

were taken by surprise when workers showed up for work wearing buttons and homemade T-shirts with slogans like "We go out—the lights go out" printed on them. Waters took particular pleasure in explaining how a piece of literature, conspicuously left lying around, rattled the company's confidence in defying the union. Stewards were given copies of a thick volume titled "Mobilization in the Nineties" and directed to "talk it up" in the shops.[18] "Mobilization," to the chagrin of ConEd, was much more than a bargaining flyer. The book contained a long list of in-plant tactics, from "singing labor songs" to "rolling strikes."

Waters contends that the combination of symbolic statements and threatened aggressive actions signaled to the company that the workplace would be a battleground if labor peace was not negotiated. The union's leveraging of rules, profit margin, and workplace stability permitted rank-and-file members to directly confront company power. By acting in the workplace, workers were not only threatening the company bottom line, but they were participating in negotiations away from the bargaining table.

While the 18-point check and "mobilization" manual were popular, safe, and fun ways to frustrate and bleed the company, they were atypical tactics. Notwithstanding the "rally for justice," most workers never participated in any actions. Other actions like picketing and speaking at the company's stockholders' meeting, placing newspaper ads, writing letters, customer polling, and addressing the PSC were done by a small number of the same union leaders.

However, despite the top-down control of the campaign, educating and mobilizing the rank and file were essential to its success. "By preparing to strike," Waters explained, the company "had to factor in the cost of holding out against a militant workforce." Waters stressed that despite the apparent political leverage that Local 1-2 wielded, the leadership could not be certain of how "the politicians would act." After all, in 1983 Democratic and labor-supported Mayor Ed Koch had publicly applauded ConEd for operating during the strike.

In order for the union to fully benefit from its leverage opportunities, ConEd had to believe that workers were ready to interrupt production. To credibly send that message workers had to first be "internally organized."[19] The first step was to convince workers that the destructive 1983 strike was a well-learned lesson. Waters explained that before a campaign could be put into play, "workers had to know that this time things would be different and that they could win."

Convincing the rank and file also included reeducating management. The mobilization part of the campaign was designed to warn ConEd that a

"strike now would be more than people standing around the building drinking coffee."[20] ConEd had to understand that unlike previous contract years, the company would now be negotiating with an informed and committed workforce. Waters proudly noted that while conditions never warranted greater worker involvement, the end result of this unprecedented rank-and-file mobilization was not only to prepare for a strike but to construct the foundation for a campaign strategy that "prepared for a strike in order to avoid one."

Conclusion

The case of UWUA Local 1-2 lends support for the idea that a successful contract campaign must confront management's traditional conception of collective bargaining practices and protocol. Union actions were diverse, well directed, linked to historical moment, and unexpected. Now to be sure, except for a few tactics, workers were more on-call than they were active. But lack of rank-and-file activity did not signify the absence of membership support or mobilization. Local 1-2 workers responded affirmatively to every leadership tactic. The lesson here is that rank-and-file mobilization is necessary for infusing campaign action with meaning. Without buttons and pledge sheets, there may have been no friend of labor in the governor's mansion. Before workers can slowdown operations, they need to attend classes and read bulletins. And if the union wants an emergency meeting of the company trustees, they better first hold a large, noisy, threatening rally. In other words, a successful contract campaign should include a "thick" membership mobilization to put significant bite into the union's bark.

Endnotes

[1] Jim Miller, "Anatomy of a Contract Campaign," unpublished paper written for AFL-CIO.

[2] Jerry Waters, interview by author, New York City, May 15, 1996.

[3] Ibid.

[4] See "Rally for Justice" flyer, Local 1-2 file. Cecilia "CC" Borcherding, interview by author, New York City, May 5, 1996.

[5] "Labor Flexes Its Muscle at ConEd Rally," *New York Post*, June 16, 1992.

[6] List of actions taken from files at the Local 1-2 office in New York City.

[7] Kenneth Crowe, "ConEd Considers Lockout Of 13,000 Union Workers," *New York Newsday*, June 11, 1992.

[8] The mediator was Hezekiah Brown who was appointed by Cuomo to chair the state Public Relations Board. See Claire Serant, "ConEd Down to Wire: Gov Offers Mediators for Talk," *Daily News*, June 20, 1992, p. 26.

[9] Jim Miller, interview by author, New York City, May 15, 1996.

[10] ConEd spokesman Martin Gitten stated that "I don't know if we have reached the point where a mediator would be necessary." See Crowe, *New York Newsday*.

[11] A "secondary" target is someone or party who has influence with the person or party ("primary" target) who has the power to give you what you want.

[12] Letter written by Local 1-2 Business Manager John Goodman and communicated to Democratic leaders.

[13] Jennifer Shaw, "ConEd Says It Has Plenty of Juice for Summer Cool," *New York Post*, June 12, 1992.

[14] Larry Sutton, "Could a ConEd Strike Be a Garden Party Pooper?" *New York Daily News*, nd.

[15] "Consumers Are Paying Bonuses to ConEd Managers Who Have Lobbied Congress to Weaken the Federal Clean Air Act by Allowing the Company to Emit More Pollutants into the Atmosphere." See Local 1-2 *Bulletin*, Vol. 1, no. 2, June 1, 1992.

[16] Local 1-2 flyer and a *New York Daily News* advertisement which included a tear-off box that could be signed and sent to ConEd to express citizen support for the workers.

[17] Waters interview.

[18] *Mobilization in the Nineties*, Communications Workers of America, 1990.

[19] Waters interview.

[20] Ibid.

DISCUSSION

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We have before us three qualitative analyses of contract negotiations involving strikes or strike threats. The strength of qualitative case studies lies in their rich detail. In-depth analyses of individual cases can reveal important influences obscured or ignored by researchers employing the quantitative methods that dominate research today.

But providing critical commentary on qualitative case studies is difficult because authors typically enjoy a large information advantage over the discussant. This is certainly true in this case. Before reading these papers, I was largely ignorant of these disputes. I am in no position to offer evidence that contradicts the authors' descriptions and interpretations of these events. I could play "devil's advocate" by questioning whether each paper mustered sufficient evidence to justify its conclusions and offer seat-of-the-pants speculation about possible alternate interpretations of the facts presented, but ultimately, the value of the authors' ideas and analyses will be determined through their practical application and general empirical verification. Joe Uehlein is in a better position than I to discuss the practical implications of these works. My main goal will be to use a few of the papers' common themes to fashion testable hypotheses that can be pursued by quantitative research and offer a suggestion for future case study work.

In so doing, I must first point out that the session's title is a bit incongruent with the content of these papers. Together, the papers do not directly analyze the choice to strike or not to strike. The Bussel and Borgers and Brown papers analyze strike dynamics and outcomes but fail to identify the alternate strategies available to the union or the reasons for ultimately choosing the strike option. Similarly, although the Bruno paper's title suggests striking was not an option for the union, the paper focuses on the union's strike preparations and how this was instrumental in achieving a contract settlement. All three papers assume that the basic choice facing the union is either to strike or take the employer's current offer. None of the papers compare the strike option against other potential *substitute* actions such as working without a contract while simultaneously conducting in-plant actions or comprehensive campaigns.

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Instead, these papers focus on identifying internal sources of union power that can enhance the effectiveness of the strike and strike threat. Collectively, the basic message of the papers is that unions must find ways to promote *active* rank-and-file participation in unorthodox actions designed to increase the costs on recalcitrant employers—what Bussel refers to as "spreading the pain." The impetus for membership mobilization varies across the three cases. The Bruno paper attributes it to a militant leadership's internal organizing efforts that convinced members a strike could be won. The Borgers and Brown paper attributes it to the employer's efforts to eliminate benefits for retirees—an issue that struck a moral chord with both workers and the local community. The Bussel paper attributes it to an ongoing effort to transform the local's fundamental orientation from one based on the traditional service model to an organizing model built on a culture emphasizing membership involvement.

Despite these differences, all three papers view membership mobilization as critical to union efforts to escalate conflicts beyond the confines of traditional strike actions. Traditional strike actions require only *passive* member participation. Workers are asked to do little more than remain off the job and hold an occasional picket sign, but to fully exploit vulnerabilities in employers' relationships with key stakeholders requires *active* member participation. Each paper is careful to note that broad-based member participation was not necessary to implement every union action; although widespread member participation in provocative actions was seen as critical to union efforts to draw media attention to disputes, threaten the anonymity of corporate decision makers, pressure government officials to intervene on organized labor's behalf, and send a clear signal to employers and their allies of the workers' resolve.

By emphasizing the need to escalate contract disputes beyond the bargaining table, these papers endorse comprehensive campaign tactics as necessary complements to, but not substitutes for, strike activities. Each paper properly questions the degree to which specific campaign actions placed direct economic costs on the employer and identify more traditional factors (e.g., bargaining structure) that may also have played a role in the eventual settlement of these disputes. Yet all seem in agreement that the total impact of each union's comprehensive campaign was greater than the sum of its individual parts and suggest that reliance on traditional strike tactics alone would have doomed these unions to failure.

These commonalities suggest three hypotheses that could be pursued by future quantitative research. All three focus on improving union bargaining outcomes. Although these case studies tailored their definition of

success to the specific union goals under study (e.g., union survival, maintenance of retiree benefits), systematic empirical analysis provides an opportunity to better gauge the degree to which these factors contribute to or preserve tangible contract gains in general.

> *Hypothesis 1*. Measures of membership mobilization will be positively associated with measures of union bargaining outcomes.

Widespread member participation in union activities represents an effective use of union resources and sends a clear signal of the union's resolve during contract negotiations. Whether membership mobilization in general enhances bargaining effectiveness or is critical only during contract negotiations is an empirical question, but these papers clearly suggest that it is vital to achieving favorable bargaining terms. Measures of the degree of membership mobilization might include the percent of the union's members that have participated in one-on-one organizing efforts, worked for union-endorsed political candidates, reported employer contract violations, or attended union demonstrations. Multi-item indices of membership mobilization could be constructed and used in multivariate analyses that controlled for other influences on standard measures of bargaining outcomes (e.g, contract scores). One could also investigate whether the relationship is nonlinear. The papers implicitly assume that more is always better, but there may be limits on a union's ability to cultivate meaningful opportunities for member involvement and safeguard against unauthorized rank-and-file actions detrimental to the overall campaign.

> *Hypothesis 2*. Measures of comprehensive campaign tactics will be positively associated with measures of bargaining outcomes.

Similarly, multi-item indices of comprehensive campaign tactics could be developed to assess their contribution to contract settlements. At first glance, such an analysis seems restricted to cases involving strikes or lockouts, but the situation described in the Bruno paper is just one of several notable instances where comprehensive campaigns have been employed in the absence of a strike. Developing a data set that includes observations where such tactics were used without strikes (and where settlements occurred without strikes or such tactics) would make it easier to separate out the effects of the tactics from those associated with traditional strikes. Creating a multi-item index of comprehensive campaign tactics is problematic. There are no generally accepted criteria for establishing whether a union's actions constitute a comprehensive campaign, and tactics associated with prior campaigns may be inappropriate in some other contexts. Yet

analyses of recent self-proclaimed comprehensive campaigns could be used to develop an inventory of state-of-the-art practices. Unions employing a greater number of such practices would be viewed as conducting a more vigorous campaign than unions employing fewer of these tactics.

> *Hypothesis 3*. Bargaining gains will be greatest where unions combine comprehensive campaign tactics with high levels of membership mobilization.

All three papers seem to argue that the combination of membership mobilization and comprehensive campaign tactics produces the best bargaining outcomes. In fact, the two factors may not be independent in that greater membership mobilization may allow unions to use some tactics that it could not employ without widespread rank-and-file participation. Demonstrations and "flying squadrons" are two obvious instances where a critical mass of active members is a necessary condition for implementation.

Assuming, subject to empirical validation through the methods described above, that membership mobilization is key, the question becomes how to best improve a union's capacity to activate its membership. Here, the papers provide an interesting contrast. The Borgers and Brown paper identifies a fairly transitory source: the employer's bargaining position on retiree benefits. Bruno's paper ascribes it to a new leadership's militant philosophy, but only the Bussel paper identifies a more fundamental, long-term source: the union's ongoing effort to redefine its basic orientation around an organizing model of unionism. The different sources identified in these papers are not mutually exclusive. All may operate in any dispute, but it is intuitively appealing to speculate that long-term efforts of the type described by Bussel are more likely to maximize a union's ability to take advantage of the unique opportunities that present themselves in a specific dispute. In other words, a union that has adopted the organizing model may be in a better position to take advantage of what the employer "gives them," than a service-oriented union trying to motivate an historically passive membership to act during a moment of crisis.

This leads me to a final point about the future direction of case study work. If the penultimate goal is to enhance membership mobilization, research needs to focus on the union as an organization and not individual disputes. Union actions in individual disputes are largely determined by unique situational factors. Thus studying the experiences of unions in specific disputes is unlikely to provide lessons that generalize to other unions and settings. Instead, research should focus attention on how unions with

different basic orientations and strategies (e.g., service vs. organizing) achieve or fail to achieve membership mobilization over time and across settings. Only by examining how unions respond to a series of events over time will researchers learn general lessons about how to build and sustain the capacity to mobilize members over the long haul.

XIII. REFEREED PAPERS: HUMAN RESOURCE MANAGEMENT

Social Support and Career Optimism: Examining the Effectiveness of Network Groups among Black Managers

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In the 1990s concern with diversity has grown (Jackson 1992), just as support for affirmative action has come under increasing fire (Lynch 1989) and career achievement of women and minorities appears to be limited at higher levels of organizations (U.S. Department of Labor 1992). Companies are therefore delving into new strategies to manage diversity, including the addition of "cultural audits" and enhanced training. One approach that has become much more common is the formation of employee network groups—groups of minority or female employees who meet occasionally for social and career support. A recent study of Fortune and Service 500 companies estimates that about a third of these large companies have network groups, most of which were begun in the last decade (Friedman 1996b). In this paper we analyze a survey of members of the National Black MBA Association to examine the effects of network groups.

Effects of Network Groups

Recent theory has suggested that minority and female careers may be inhibited by lack of access to informal social networks (Friedman 1996a; Ibarra 1993). People tend to feel more comfortable and interact with people who are like themselves (Marsden 1988). This pattern is called

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"homophily." As a result, those who are in groups that are represented in smaller numbers in exempt positions, such as women and minorities, will have fewer ties—especially affective ties—with coworkers than do white men who are typically in the majority. As a result, women and minorities have fewer social resources at work. Thomas (1990) has found, for example, that cross-race mentoring relations are often highly strained, so that minorities are less likely to have mentors at work and less likely to have ones that are enduring. Informal contacts with peers as well as superiors are critical to success, since they provide information and advice—about norms, politics, and business plans—as well as feedback and support.

Network groups provide greater social resources for women and minorities by bringing people together and creating contacts. Whether their meetings are organized to provide added sales training for members, analyze corporate recruiting policies, or hear an inspirational speaker, the core effect of network groups is to enhance contacts among participants. As a result, network groups should increase the strength of the relationship among women and minorities. These added ties should increase members' access to information, advice, and political support. Having more contacts also increases the chance that members will locate someone to be a mentor. Finally, contacts with other women and minorities ensure that an employee can find people with similar experiences, if there is a need to diagnose a problem related to being female or minority or figure out how to manage it. In this way, network groups can enhance members' ability to interact effectively with *all* employees in an organization, not just other network group members. In sum, we expect network groups to enhance the strength of ties among women and minorities who are members of groups; provide them with added information, mentoring, and political support; and strengthen ties with majority organizational members. These social structural effects should then improve members' ability to compete in the organization and thus decrease any perceptions that career progress is impossible.

> *Hypothesis 1.* Female and minority employees in companies with network groups will feel more optimistic about their careers.
>
> *Hypothesis 2.* Employee network groups enhance career optimism by enhancing access to social resources (including in-group social support, mentoring, feedback, and cross-group social ties).

Some concerns have been expressed, however, that network groups may have negative effects on social relations, at least with majority males. Some managers have expressed concerns that as women and minorities spend more time with each other, they will therefore spend less time with

white men or that network groups might preach a philosophy of separatism. While we do not expect such problems (most groups only meet occasionally and do not seek isolation from white colleagues), we do examine this possibility.

Hypothesis 3. Network groups will decrease social support by diminishing cross-group social support and interactions.

It is at this level—changes in social networks—that we expect network groups to have the greatest impact and provide the greatest benefits to minority and female employees. However, since the efforts of some network groups are directed toward organizational change and enhancing communication with top management about members' concerns, we might also expect network groups to reduce organizational and interpersonal biases, stereotyping, and discrimination.

Hypothesis 4. Feelings of discrimination will be lower in organizations that have network groups.

There are several reasons, however, to doubt the effectiveness of network groups at changing organizations and lessening discrimination. Personal biases and discriminatory attitudes are very hard to change. The more extreme the attitude, the more likely it is that efforts to influence them will actually strengthen that attitude (Sherif and Hovland 1961). On an organizational level as well, changing biases may require wholesale changes in personnel systems or organizational culture, neither of which is very easy to do no matter who tries to generate the change. Thus we expect that network groups might have some positive impact on the organizational context, but we expect that these effects will be smaller than the structural effects of network groups. At the same time, we must consider the possibility that network groups actually *enhance* discrimination: field interviews with network group members revealed concerns that forming network groups might lead to backlash and anger by peers and superiors and thus make matters worse.

Alternative Hypothesis 4. Feelings of discrimination will be higher in organizations that have network groups.

In sum, we expect that network groups will have a positive effect on the careers of women and minorities and their hopes for advancement and that these gains are mediated primarily by the effects of network groups on social structure. However, we also consider several negative effects of network groups.

Research

In 1993 we surveyed members of the NBMBA Association. We received 397 replies out of 2,875 mailed. This 14% return rate was low, but in terms of the key variable—the percentage of respondents that had network groups—they did not differ from the rate suggested by a survey of Fortune and Service 500 companies (Friedman and Carter 1993).

Each survey included three sets of questions. First, it included questions about demographic information: where the respondent worked and the respondent's age, sex, education, years in company, and rank. Second, the survey included questions about network groups. Respondents were asked a simple factual question: Is there a network group at your company? Third, the survey included attitude questions that were created to assess respondents' perceptions about their careers, jobs, and relationships at work. Respondents were asked to assess on a 5-point Likert scale whether they agreed or disagreed with statements about these topics. Two questions that related to career progress were combined to produce a scale that we have labeled "career optimism" (Alpha = .69). This was used as the dependent variable in our primary analysis for this paper. Given the anonymity of responses to our survey, it was not possible to conduct follow-up surveys to assess actual career progress. Moreover, we believe that respondents can make reasonable judgments about their career progress and, more importantly, employees' *perceptions* are just as important as what eventually happened. It is perceptions of one's situation, according to expectancy and equity theory, that affect motivation and feelings of justice.

Six other attitude questions were used in this analysis. Respondents were asked about the strength of their ties with black employees as well as the degree to which their "strongest support" came from other black employees. The second question is closely related to the first one but also represents the *relative* strength of support from blacks and whites in the organization. A high score on this variable indicates that there was strong support from blacks within the organization but might also be interpreted as saying that there is relatively *weak* support among whites in the organization. Therefore, higher scores on this variable might indicate relative isolation from white employees. Respondents were also asked two questions about mentors. One simply asked if they had a mentor. The second asked if it was difficult for a white manager to be a mentor. The latter question is also relevant to the question of isolation: if mentors are more available due to network groups but blacks' ability to work with white mentors is decreased, that would be an indication of isolation. Respondents were also asked whether they experienced discrimination at work and whether they received feedback about their work.

For all analyses, the five demographic factors were included. No predictions were made about the effects of these variables, but it is reasonable to assume that optimism might be affected by factors such as age and organizational rank. Variables are listed in Table 1.

TABLE 1
Variables

Respondent Characteristics	
Age	
Years in company	
Education	1 = high school or less 2 = college 3 = graduate
Level in company	1 = nonmanagerial, 2 = mngt, 3 = middle mngt, 4 = executive
Sex	0 = male 1 = female
Attitudinal Variables	
Discrimination	I have faced racial discrimination at work
Feedback	I receive honest and accurate feedback on my performance
Mentor	I have the support of a mentor in my company
White manager difficult	It is difficult for white managers to serve as my mentor
Support	My strongest support comes from African Americans
Ties	I maintain extensive ties with African-American employees throughout the company
Career optimism	I am satisfied with my career progress
(Alpha = .69)	I expect to move higher in the company in the near future

Analysis

The first step in our analysis was to determine whether network groups had a positive impact on career optimism. The results of these regressions are listed in Table 2, model (3). Controlling for respondent characteristics, *network groups do significantly increase career optimism*, providing support for Hypothesis 1.

After establishing the overall effect of network groups, we investigated more closely their particular effects. We wanted to know the effects of network groups on social structure and discrimination and find out which, if any, of these effects mediated the relationship between network groups and career optimism. This series of analyses followed the method proposed by Baron and Kenny (1986). Having established that network groups affect career optimism, this effect is shown to be mediated by a third factor, if that factor is also significantly affected by network groups *and* the addition of that factor to the original model eliminates the significance of the network group effect.

TABLE 2
Determinants of Career Optimism

Model	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Respondent Characteristics												
Age	-.174*		-.169*	-.179*	-.176**	-.167*	-.177**	-.195**	-.189**	-.137*	-.153*	-.208***
Sex	.038		.036	-.041	-.041	.035	.031	-.028	-.013	.034	-.021	-.040
Education	.015		.009	.025	.022	.011	.008	-.005	.003	.030	.034	-.009
Years in co.	-.127**		-.139*	-.046	-.054	-.144*	-.138*	-.079	-.093	-.114*	-.119*	-.050
Level in co.	.354***		.347***	.228***	.227***	.338***	.348***	.260***	.324***	.338***	.305***	.249***
Mediating Variables												
Ties				.070	.063	.057						
Support				-.073	-.081		-.063					
Mentor				.300***	.295***			.358***				.336***
White mentor difficult				-.060	-.050				-.208***			-.152**
Discrimination				-.103*	-.102*					-.209***		
Feedback				.262***	.287***						.369***	
Network Group												
NG		.106*	.103*		.056	.092*	.115*	.056	.079	.099*	.100*	.042
Adjusted R^2	.120***	.009*	.128***	.348***	.349***	.129***	.129***	.242***	.167***	.166***	.269***	.262***
NG ΔR^2			.01*		.003	.008*	.013*	.003	.006	.010*	.010*	.002

Models report standardized betas.

+ ($p \leq .10$), * ($p \leq .05$), ** ($p \leq .01$), *** ($p \leq .001$)

Table 3 shows the results of regression models that examine the impact of network groups on social structure and discrimination, controlling for respondent characteristics. Network groups had a positive impact on ties with other African-American employees, as was expected, and they had a positive impact on mentoring, also as expected. These results are consistent with Hypothesis 2.

TABLE 3
The Relationship between Network Groups and Mediating Variables

	Ties	Support	Mentor	White	Discrim.	Feedback
Respondent Characteristics						
Age	-.013	-.107	.090	-.130^{+}	.147*	-.049
Sex	-.002	-.096^{+}	.189***	-.132*	.019	.041
Education	-.019	-.017	.022	-.007	.112*	-.054
Years in co.	.056	.007	-.185**	.240***	.146*	-.067
Level in co.	.138*	.018	.235***	-.095^{+}	-.052	.132*
Network Group						
Network	.223***	.212***	.127*	-.100*	-.042	.024
Adjusted R^2	.065***	.041**	.091***	.046***	.058***	.008

Models report standardized betas.

$^{+}$ ($p \leq .10$), * ($p \leq .05$), ** ($p \leq .01$), *** ($p \leq .001$)

Network groups also increased the sense that black employees' strongest support comes from other blacks, and it decreased the feeling that it is hard for whites to serve as mentors. These findings provide mixed results regarding the question of enhanced isolation of black employees due to network groups (Hypothesis 3). The effect of the support variable indicates that network groups do not produce as much support from whites as they do from blacks, which leaves open the possibility that blacks become more isolated from whites as a result of the formation of network groups. However, the question about difficulties with white mentors indicates that members' ability to work with whites is actually enhanced, as we expected.

Network groups appear to have no effect on discrimination or feedback, leading us to reject both Hypothesis 4 and Alternative Hypothesis 4. The discrimination finding is not surprising. We were not very confident that network groups would have an impact on the organization. Note, however, that network groups apparently do not make matters worse—there is no indication of any *increase* in discrimination due to network groups as might be expected by those who emphasize white male backlash. Lastly, the lack of effects of feedback were surprising to us. We expected the existence of network groups to translate into social support, which would

include more information about one's performance at work. This noneffect may indicate that the greater social support that is being received due to network groups is not coming from those who are in a position to provide feedback about performance on the job.

We assessed the mediating impact of these effects in two steps. First, we added all six variables to model (3) (see Table 2), to find out if this would eliminate the effect of network group on career optimism. As seen in model (5), the addition of this block did eliminate the significance of network groups. Among these variables, having a mentor and receiving feedback both have a positive impact on career optimism, while feelings of discrimination reduce career optimism. All of these effects were expected. Second, we introduced each of these variables into the model separately to examine their effects on the significance of network groups. The two factors which alone eliminated the significance of network groups were (1) having a mentor and (2) discomfort with white mentors. These results indicate that the positive effect of network groups on mentoring is the key factor mediating the relationship between network groups and career optimism. Network groups enhance mentoring and reduce feelings of discomfort with white mentors. These were the only factors that both (1) were significantly effected by network groups and (2) eliminated the significance of network groups in the model. In the final model (model 12 of Table 2), these two factors—mentor and difficulties with white mentor—are included together.

We conclude from our analysis that network groups do have a positive impact on black employees, at least as indicated by their expressed satisfaction with their career progress. More specifically, network groups have an impact on the social structure of organizations. Those with network groups have more ties with other African-Americans, they have more support from mentors, and they are better able to work with white mentors. However, network groups do not appear to affect job feedback as we had expected. We were also surprised to find that having more ties with other blacks did not in itself improve career optimism. Rather, it is the effect of network groups on mentoring that appears to be the primary mechanism that enables network groups to enhance career optimism for African-American managers. Having more ties with other blacks is positively correlated with mentoring ($r = .21$, $p < .001$), but it is mentoring, not ties with other blacks, that mediates the relationship between network groups and career optimism. Finally, we found that feelings of discrimination did have a significant impact on career optimism, but network groups had no impact on feelings of discrimination. Thus as expected, network groups' primary effect is on social structure and personal career support, not their ability to change organizations and attitudes.

Discussion

Network groups appear to be effective, at least in the eyes of a sample of African-American managers. The analysis reported in this paper indicates that blacks who are in companies that have network groups are more optimistic about their careers than those who are in companies that do not have network groups. Moreover, a clearer picture is emerging as to *why* network groups benefit black employees. Network groups enhance the chance that employees will have mentors to support their career development and enhance their ability to work well with white mentors.

The analysis also indicates that some of the negative effects of network groups, feared by some observers of network groups, occur at only minimal levels, if at all. Network groups clearly do not enhance feelings of discrimination among black employees. If we can assume that they would notice negative feelings generated by backlash at network groups, it appears that fears of backlash are not warranted. There is some indication, however, that network groups may increase isolation of blacks from whites, but the evidence for this effect is mixed and unclear in this data. On balance then, network groups are a positive force in the eyes of black managers.

This study includes the first quantitative analysis of network groups and thus provides key insights into the effects of network groups. However, we should be clear that the study has several weaknesses. First, the response rate is relatively low, providing some concerns about the representativeness of the sample. This is a problem that we had to live with given the difficulty gaining access to large numbers of black managers across organizations. Second, although we identified statistically significant effects of network groups on career optimism, the size of the effects were small. Some might therefore dismiss the findings, but we would argue that this is an area of such persistent challenge and frustration that even small effects should be greeted with hope. Moreover, given that network groups are relatively unobtrusive in most organizations and relatively costless, and given the fact that our sample is certain to include both effective and ineffective network groups, we would argue that even small positive effects are noteworthy. Finally, we would eventually like to have data on actual promotion rates and career achievement. However, given the difficulty of obtaining such data, we believe that measures of career optimism serve as reasonable indicators of the effects of network groups and should be considered an important area in their own right. For black employees to have added hope and optimism is a positive step and one that can immediately help an organization.

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When Is a Bonus a Bonus? Incentive Pay, Risk Sharing, and Wage Levels

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Corporations are changing traditional employment structures. Incentives have become a fixture of compensation in the U.S. in a perhaps permanent shift toward performance-contingent pay as corporate hierarchies flatten and career ladders shorten (Lawler 1990). Understandably, these trends concern the American workforce as a recent *New York Times* (July 3, 1995:1) article illustrates: "Three factors—weakening unions, foreign competition, and automation—are undermining workplace verities, like annual salary increases and regular promotions, on which most Americans counted and from which they charted their future."

Such changed compensation schemes require a better understanding of the incentive effect on employee earnings. Are bonuses used as substitutes for permanent pay raises? In other words, to what extent are there tradeoffs between insurance and incentive provisions in pay contracts? To answer these questions, I examine for employees of a large financial organization first the impact of incentive pay on employee earnings and, second, the relationship between the wage components bonus and base salary. Understanding employment contracts has led to a cross-fertilization between disciplines like economics, sociology, and human resource management (Baron and Hannan 1994). This study uses agency and power theories because both address differences in pay schemes within firms and thus help us integrate economic and sociological views of rewards.

Studies testing the implications of incentives and risk sharing for various contractual forms have often used highly aggregated data. Recently, however, comprehensive personnel data sets are allowing us to sidestep previous data limitations (e.g., Baker, Gibbs, and Holmstrom 1994). Similarly, the rich database used here belongs to a large organization engaged in widely diversified operations. Eleven separate business units account for the firm's different markets. These units are profit centers and have discretion to

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implement incentive plans after obtaining headquarters' approval. Information on business unit performance, compensation structure, and individuals has been gathered from informant reports, organizational records, and the personnel information systems database for the years 1990-91.

While most studies have examined incentives for single occupations (Eisenhardt 1985; Petersen 1992), I study how level and type of rewards vary across occupations (managers, professionals, supervisors, and clerical), keeping constant the organizational context. This research design allows comparison among different incentive combinations at varying job levels.

Incentive Pay, Earnings Levels, and Pay Components

Research in both economics and sociology currently focuses on how internal organizational structures determine wage differentials and career patterns. The importance of employer or firm-level factors has been highlighted by work on efficiency wages (Akerlof 1984; Yellen 1984) and wage dispersion (Leonard 1989; Groshen 1991). Transaction costs economics and theories of incentives or internal organization have also seen the firm as an appropriate unit of analysis and considered the circumstances under which different compensation schemes prevail (Williamson 1985). Agency theory focuses specifically on the "black-box" by emphasizing information systems, incentives, and risks within firms (Stiglitz 1987).

Regarding the relationship between pay method and pay levels, agency and power theories suggest similar propositions. Agency theory assumes that both the principal and the agent are motivated to maximize their outcomes. Agents are assumed to be risk averse. Pay structures reflect different risk-sharing arrangements, where contracts with higher risk should pay a risk premium to agents. Over time, therefore, individual wage will be higher under performance-based contracts than under behavior-based contracts, due to the differential proportion of risk shared by workers. In fact, empirical studies have consistently found that incentive-paid workers receive, on the average, higher pay than salary-paid counterparts (Seiler 1984; Petersen 1992).

Power theories, while not dismissing risk-sharing provisions, focus on the social process of bargaining that underlies employment contracts. Wage differentials between incentive- and salary-paid employees would reflect mainly surplus divisions between workers and management, rather than shifting risks in the employment relationship or trading earnings for greater security. In fact, workers paid by incentive have historically fought to receive and increase base salaries without losing the incentive component (Burawoy 1979; Jacoby 1985). Thus power arguments also suggest

that wages of incentive-paid workers are higher than those of salaried employees. The first hypothesis tested here for the financial sector is that employees covered by incentive schemes have higher average earnings than those paid on a straight salary basis, all other factors controlled for.

Implications of this risk-sharing hypothesis for the components of compensation have been largely unexplored. Studies have considered pay contracts as dichotomous: either salary-only or salary-plus-bonus or bonus-only contracts. Previous data sets lacked information on how total pay combines base pay and bonuses. My data, however, contain the amount of each wage component. Moreover, descriptive statistics show substantial variation in the bonus amounts among incentive-paid workers, even within occupations.

From an agency perspective, a greater proportion of base pay increases the security provision for incentive-paid employees who should earn lower total compensation, all other factors (including occupation) kept constant. Hence the higher the base salary of incentive-paid workers, the lower their total earnings. Thus total compensation should decrease as base increases. Since total compensation is the addition of base pay and bonuses, this hypothesis means that a negative relationship exists between the levels of base pay and bonus.

What do power theories predict about wage components? They suggest that some employee groups with higher access to resources may ensure a greater dividend proportion of their effort, regardless of risk entailed. Thus a hypothesis counter to risk sharing is that the higher the base salary of incentive-paid workers, the higher their total compensation. In other words, total pay should increase with base pay.

These hypotheses do not test either agency or power theories directly, since the data do not directly measure risk or bargaining power. Nevertheless, the patterns of wage differentials should indicate alternative explanations.

Data and Methods

Descriptive statistics for the variables used in the analyses are presented in Table 1. The sample includes only full-time employees in the organization from the beginning until the end of 1991. Out of 8,110 employees, 30% (i.e., 2,471) received some incentive pay or were eligible for it. Average values of total compensation and base salary are listed in the first two rows of Table 1. The average bonus of incentive employees was $6,874. The occupational distribution is as follows: 17% are managers, 30% professionals, 11% supervisors, 4% technicians, 2% sales people, and 34% clerical workers. Managers and professionals comprise most of the incentive-paid employees, followed by supervisors.

TABLE 1
Descriptive Statistics—Entire Sample and by Occupation

Variable	All		Managers		Professionals		Supervisors		Clerical	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
TOTAL COMP.	34463.98	(19111.31)	54654.35	(22288.59)	36477.98	(12621.56)	30378.10	(9960.06)	21676.89	(4360.28)
SALARY	32369.48	(14071.01)	48534.90	(15576.26)	35533.52	(11463.37)	30095.31	(8797.69)	21661.71	(4333.25)
LNTCOMP	10.34	(0.44)	10.84	(0.35)	10.46	(0.30)	10.28	(0.27)	9.96	(0.21)
LNSAL	10.30	(0.39)	10.75	(0.29)	10.43	(0.29)	10.28	(0.25)	9.96	(0.21)
INCPAY	0.30		0.59		0.52		0.13		0.03	
RATING	3.62	(0.79)	3.68	(0.85)	3.59	(0.80)	3.61	(0.74)	3.59	(0.73)
TENURE	9.60	(7.63)	2.68	(0.85)	2.59	(0.80)	2.61	(0.74)	2.59	(0.73)
NUM.GRADE	0.91	(0.29)	13.20	(8.08)	9.09	(8.01)	11.12	(7.04)	8.13	(6.69)
GRADE	7.96	(4.39)	0.64	(0.48)	0.99	(0.08)	1.00	(0.00)	1.00	(0.00)
GENDER	0.71		9.03		10.14		9.17		5.37	
AGE	37.58	(9.99)	0.62	(0.49)	0.62	(0.49)	0.81	(0.39)	0.85	(0.36)
WHITE	0.64		40.75		36.81		37.72		36.61	
N	8110		1458		2278		873		2965	

An important issue is the timing of the variables. For theoretical reasons, control variables such as occupation, business unit, job grade, tenure, and demographic variables are taken at the beginning of the period to examine how these initial values affected end-of-period outcomes. Based on information from company managers, incentive pay status and performance rating were instead taken at the end of 1991.

To test how payment by incentive relates to total compensation and base salary, two regression equations were run at the individual level:

(1) $\text{LNTCOMP} = \alpha_0 + \alpha_1 X_1 + \varepsilon_1$ and

(2) $\text{LNBASESAL} = \beta_0 + \beta_1 X_1 + \varepsilon_2$,

where LNTCOMP is the logarithm of total compensation; LNBASESAL is the logarithm of base salary; and X_1 includes a dummy variable (INCPAY) which takes value 1 if the individual received incentive pay, performance rating, tenure, gender, age, ethnicity, job grade (a continuous variable for those with numeric grade), a dummy for letter grade (NUMGRADE), and dummy variables for the employee's occupation (with clerical as reference group) and business unit.

As predicted, receiving incentive pay has a significantly positive and large effect on earnings. As Table 2 shows, for the entire firm a roughly 10% wage advantage accrues to incentive-paid workers. Among other independent variables, performance rating significantly increases earnings by about 5%. Considering that ratings range from 1 to 5, this is a sizable effect: a pay difference of approximately 20% exists between lower and higher performers, all other factors kept constant. Tenure and age have a positive but minimal effect on earnings. Being a woman is related to lower wages. Finally, the right column of Table 2 shows that most variables affect base salary as they do total compensation. Other factors kept constant, base salary is 6% higher for an employee paid some bonus plus base pay relative to another paid only base salary. When analyses are done by occupation, being under incentive pay also increases total compensation for managers and supervisors more than for professional and clerical employees.

Because analyses are based on cross-sectional data, these results should be interpreted with caution. Insurance and risk sharing are essentially dynamic concepts varying over time with product market conditions. In good years, incentive workers should expect high earnings due to high bonuses; in bad years, the opposite should hold. Since my data are for a single time period, the incentive effect here may be either overestimated or underestimated. Nevertheless, the firm studied is diversified. Across business units, product markets and performance vary sufficiently during the

TABLE 2
Regressions Relating Incentive Pay to the Log of Total Earnings and of Base Salary

Variables	Log (Total Compensation) Model (4) β	S. Err.	Log (Base Salary) Model (5) β	S. Err.
ALL EMPLOYEES (N = 8110)				
INTERCEPT	10.600	(0.018)***	10.450	(0.015)***
INCPAY	0.103	(0.006)***	0.057	(0.005)***
P.RATING	0.047	(0.002)***	0.037	(0.002)***
TENURE	0.002	(0.000)***	0.002	(0.000)***
GENDER	-0.053	(0.004)***	-0.043	(0.004)***
AGE	0.002	(0.000)***	0.002	(0.000)***
WHITE	0.015	(0.004)***	0.010	(0.003)**
NUMGRADE	-1.315	(0.017)***	-1.143	(0.014)***
GRADEDUM	0.094	(0.001)***	0.091	(0.001)***
MANAGER	-0.032	(0.011)**	-0.028	(0.009)*
PROFESSIONAL	-0.039	(0.007)***	-0.018	(0.006)**
TECHNICIAN	-0.041	(0.012)***	-0.018	(0.010)
SALES	-0.074	(0.017)***	-0.394	(0.014)***
SUPERVISOR	-0.056	(0.008)***	-0.047	(0.007)***
B. UNIT DUMMIES	a		a	
R^2	0.860		0.880	
MANAGERS (N = 1458)				
INCPAY	0.123	(0.016)***	0.053	(0.013)***
PROFESSIONALS (N = 2278)				
INCPAY	0.087	(0.008)***	0.048	(0.007)***
SUPERVISORS (N = 873)				
INCPAY	0.099	(0.017)***	0.069	(0.016)***
CLERICAL (N = 2965)				
INCPAY	0.068	(0.015)***	0.050	(0.015)***

*** p < .001 **p < .01 *p < .05

studied time period to make analyses meaningful. To further test whether the effect of incentive pay varies with product market conditions, models (1) and (2) were run separately on the best and worst performing business units of this firm. The incentive effect is positive and almost of the same size in these two business units, lending greater support to power explanations: incentive-paid employees earn bonuses regardless of business-unit performance and do not appear to share the financial risk.

In sum, the regression estimates confirm that method of pay strongly determines employee earnings. Specifically, there is a payoff to being on incentives. Results also show that incentive workers receive higher base

salary on average: they get higher base pay plus bonus earnings. The pay differential between incentive and salaried workers can be decomposed as follows: about half the differential is due to higher base pay, while the other half is associated with bonus earned. This not-so-well-known finding seems to favor power rather than risk-sharing explanations, although unobserved worker quality is an alternative explanation which cannot be ruled out with these data.

The risk-sharing hypothesis suggests that for employees covered by incentive schemes, who are equal in most characteristics but differ in their pay composition, a negative relationship between base salary (S) and bonus (B) holds. Therefore, to test this hypothesis I define similar employee groups by a vector of variables Xi (occupation, rating, demographic and job characteristics) and estimate the following model:

$$(3) \qquad B_i = \alpha_0 + \alpha_1 S_i + \alpha_2 X_i + \varepsilon_i.$$

If the risk-sharing hypothesis is confirmed, the α_1 should be negative. As Table 3 shows, for all occupations, α_1 is significant but positive, not negative as predicted. The higher one's base salary, the larger one's bonus. The coefficient is larger for managers (.51) and for supervisors (.42) than for professionals (.20). This relationship is still positive but smaller for clerical workers (α_1 = .03).

Since estimated coefficients do not support the risk-sharing argument, the alternative power hypothesis can best be tested with a nonlinear model. Assuming that power is associated with higher earnings, employees with higher base salary may also be able to secure higher bonuses. To capture the potentially nonmonotonic relationship between base salary and bonuses, I specified a model linear in its parameters, but not in its variables:

$$(4) \qquad B_i = \beta_0 + \beta_1 S_i + \beta_2 S_i\approx + \varepsilon_i.$$

Results shown in Table 3 indicate that for all incentive-paid employees, β_1 equals -0.55 and is significant. The coefficient for the quadratic term β_2 is also significant and positive. Therefore the relationship between wage components seems nonlinear, describing a U-shaped curve. The bottom of the U occurs at base salary = $-\beta_1/2\beta_2$, or when base salary equals $37,860, which is slightly below the mean base salary for this population of incentive workers (mean base salary = $40,000). Therefore both parts of the curve are relevant to the results. For employees with a base salary lower than the bottom of the curve, there is a negative relationship between wage components. By contrast, for employees earning a base salary higher than $37,860, the size of their bonus increases with that of their base salary.

TABLE 3
Regressions Relating Base Salary to Bonus

	All		Managers		Professionals		Supervisors		Clerical	
LINEAR MODEL*										
SALARY			0.51	(0.04)	0.20	(0.01)	0.42	(0.09)	0.03	(0.01)
R^2			0.44		0.44		0.55		0.62	
QUADRATIC MODEL										
INTERCEPT	15297	(2200)	21380	(3886)	3092	(679)	22952	(3576)	-374	(555)*
SALARY	-0.555	(0.093)	-0.6549	(0.13)	-0.16	(0.03)	-1.15	(0.15)	0.016	(0.04)*
SALARYSQ	7E-06	(0.000)	8E-06	(0.00)	0.000	(0.00)	0.000	(0.00)	0.00	(0.00)*
R^2	0.07		0.23		0.3		0.65		0.51	
N	2471		864		1180		113		90	
$-\beta_1/2\beta_2$	37860		42709		25447		40285		-11789	

* Not significant at the .001 level. The linear model includes control variables not shown here.

By occupation, β_1 is larger for managers (-.654) and supervisors (-1.14) than for professionals (-.016). For managers and supervisors, the relationship between wage components is negative for values of base salary below the mean and positive for values above the mean. Beyond that threshold, the relationship turns positive. Professionals, however, seem to follow a more egalitarian pay model.

Conclusions

Previous research findings of a wage advantage for incentive workers are confirmed here for the financial sector. In addition, my results partially support the risk-sharing proposition of a tradeoff between insurance and incentive provisions in compensation contracts. A negative relationship between bonus and base salary holds only for base salary values below a certain threshold (the mean of base salary for supervisors, lower than the mean for higher management). When employees' base salary is high enough, these powerful employees seem able to also secure high bonuses. By contrast, below certain base salary values, risk sharing exists: the higher the base salary, the lower the bonus earned. In all, power emerges as a mediator of how risk-sharing considerations apply to employment contracts.

Combining predictions from different disciplines helps us advance the theory of how incentives affect employee earnings. Empirically, the results may be generalizable beyond the firm studied here. The positive relationship between bonuses and base salary and the special importance of incentive status for managers relative to other occupations agrees with a "gravy" view of pay-for-performance plans found in previous studies using aggregate data (Mitchell, Lewin, and Lawler 1990). Further research needs to determine how incentive pay schemes relate over time to other employee outcomes such as pay increases and promotions.

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Dual Commitment Measurement: Changing Definitions, Changing Conclusions

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Dual commitment is generally conceptualized as a high level of employee commitment to both a labor union and an employing organization. Gordon and Ladd (1990) reviewed more than twenty studies of dual commitment conducted between 1949 and 1989 and concluded that numerous substantive and methodological problems exist in this literature. These problems stem, in part, from ambiguities in the definition of dual commitment across studies. Specifically, dual commitment has been conceptualized as (1) simultaneous high company and union commitment (the taxonomic approach), (2) a strong correlation between measures of company and union commitment (the dimensional approach), (3) a statistically significant interaction between measures of union and company commitment (this will be referred to as the "regression interaction approach" throughout this paper), and (4) a unique construct whose effects are entirely independent of those of company and union commitment (this will be referred to as the "separate measure approach"). Each of the first three definitions requires separate measures of company and union commitment, yet little empirical data exist on the effects of choices among these definitions on conclusions drawn about the prevalence or correlates of dual commitment. Therefore, this paper reviews the conceptual and methodological critiques associated with each approach and presents empirical data illustrating the problems inherent in each. Since the taxonomic and dimensional approaches have been reviewed elsewhere (e.g., Gordon and Ladd 1990; Bemmels 1995), we pay more attention to the regression interaction approach.

In the taxonomic approach, individuals are classified as having dual commitment if they exceed some arbitrarily defined level of commitment

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to both their employer and their union. Studies using this approach typically split samples into four quadrants based on individuals' patterns of union and company commitment. Among the criticisms of this approach are the lack of rules for choosing a cutoff point for high commitment, the inability to compare results across studies, and (if four quadrants are used) that quadrant-based classification schemes do not allow for the possibility that an individual could be classified as "neutral" with respect to one or both forms of commitment (Gordon and Ladd 1990).

The dimensional approach involves an assessment of the correlation between company and union commitment within a work unit. Dual commitment is said to exist when company and union commitment are strongly related. The primary concern with this approach is that it is only sensitive to the relative ordering of individuals on the company and union commitment measures and not to the scale means for the measures, thus allowing the possibility (for example) that individuals could be weakly committed to both the company and union (low overall means) while the two measures were still highly correlated.

A second set of concerns with the dimensional approach stems from various methodological problems with survey research including socially desirable response patterns and common method variance; see Podsakoff and Organ (1986) for a discussion of common method variance effects in survey research. These response processes may have inflationary, attenuating, or no effects on the relationship between two self-report measures (Podsakoff and Organ 1986), and the extent to which these effects influence correlations between company and union commitment measures is not known. Other problems with the dimensional approach include (1) the use of different commitment measures across studies, (2) the attenuating effects of range restriction on observed correlations, and (3) that dual commitment may reflect either a situation where all items tapping company and union commitment load on a single latent factor or the company and union items load on separate but correlated latent factors (Gordon and Ladd 1990). Finally, Gordon and Ladd (1990) suggest that dual commitment may be an "epiphenomenon" which is a function of the union-management relations climate. These criticisms suggest that dual commitment researchers should assess the latent structure of measures of company and union commitment and control for labor-management relations climate prior to evaluating the relationship between company and union commitment.

Two other approaches treat dual commitment as a unique construct that has incremental effects on criteria above and beyond the effects of company and union commitment. Researchers using this approach have

generally either (1) developed separate measures of dual commitment (e.g., Angle and Perry 1986; Magenau and Martin 1989) or (2) used moderated regression analysis to test the significance of a term representing the interaction of union and company commitment (Bemmels 1995). The separate measure approach addresses some of the methodological concerns of the taxonomic and dimensional approaches, although several construct and content validity issues need to be addressed (Bemmels 1995; Gordon and Ladd 1990). The "interactional approach" also has promise. In this approach, dual commitment is conceptualized as the moderating effect of company commitment on the relationship between union commitment and a particular dependent variable (Bemmels 1995).

Bemmels (1995) used the interactional model of dual commitment to address the effects of dual commitment on steward grievance filing behavior. In a sample of over 1,200 union stewards, Bemmels obtained evidence that the interaction between company and union commitment accounted for a significant proportion of variance in steward grievance filing behavior beyond that explained by measures of company and union commitment and labor-management relations climate. Based on this interaction, Bemmels concludes that dual commitment is a unique construct and that "models relating employer commitment (in unionized settings) or union commitment to behaviors or outcomes will be misspecified if they do not include dual commitment as a unique construct, and statistical estimates of these models will be subject to misspecification bias" (p. 417).

We contend that this conclusion may be premature. Bemmels' sample consisted solely of union stewards rather than rank-and-file members. This raises questions about the generalizability of the results to the rank-and-file union membership whose patterns of commitment and subsequent behaviors are probably different than those of union stewards (see Magenau, Martin, and Peterson 1988). For instance, a meta-analysis conducted by Mathieu and Zajac (1990) concluded that the best estimate of the population correlation between company commitment and union commitment was .24, while Bemmels obtained a correlation of .02 between union and company commitment. This suggests that Bemmels' results may not extend beyond stewards.

A more important concern stems from the strength of inferences that can be drawn from a single moderated regression analysis. Statistically significant moderator effects frequently do not replicate and usually do not account for large proportions of variance in dependent variables. For instance, in Bemmels' study, only two of six tested commitment interactions were statistically significant. In the two regression analyses with significant company/union commitment interactions, union-management relations,

union commitment, company commitment, and dual commitment *together* accounted for 8% and 14% of the variance in the dependent variables (the amount of variance accounted for solely by dual commitment was not reported). At a minimum, moderating effects must be replicated before one can begin to make strong inferences about dual commitment.

When obtained, a significant interaction can only be interpreted as the moderating effect of one variable upon the relationship between two others, *not* as evidence for the existence of a separate construct. Conclusions about an obtained moderator effect are limited to the choice of predictor, moderator, and dependent variables in any given study. Evidence for the existence of dual commitment as a unique construct can only be provided through a properly designed construct validity study which requires a theory of construct measurement and a theory of the system of relationships among the constructs. This requires a theory that specifies both the *presence* of a unique effect for dual commitment and the *form* of this relationship for a specific dependent variable. That is, the interaction between two variables may take on several different patterns, and a specific pattern should be hypothesized prior to conducting the study. The interaction, if found, should then be graphically depicted to ensure that it is consistent with the hypothesis. Given the lack of a theory of dual commitment and the ambiguities in interpreting the results of most analytic techniques used in dual commitment research (Gordon and Ladd 1990), inferences made from the results of a single moderated regression analysis should be regarded as tentative at best. Therefore, we conclude that further research is needed to examine both the prevalence of dual commitment and its hypothesized correlates.

Given the issues discussed above, the purpose of this research was (1) to assess the prevalence of dual commitment in a sample of unionized retail workers using both the taxonomic and dimensional approaches and (2) to assess the contribution of dual commitment to the prediction of employee turnover intentions. This study extends previous dual commitment research by examining commitment patterns in a sample of both union stewards and rank-and-file members and by assessing the predictive validity of dual commitment with respect to a criterion that is conceptually related to commitment (e.g., Mathieu and Zajac 1990; Mowday, Porter, and Steers 1982). We hypothesized that company commitment would moderate the relationship between union commitment and turnover. That is, we expected that for individuals who are strongly committed to their company, union commitment would have a relatively small effect on turnover intentions. Conversely, we expected that the (negative) relationship between union commitment and turnover intentions would be stronger for individuals who

have lower levels of company commitment. Thus we view turnover intentions as primarily determined by individuals' commitment to their employing organizations (as compared with their union commitment).

Method

Sample

The sample consisted of 4,055 members of a local of a large Midwestern union representing retail employees in 10 different job classes in a chain of 54 retail stores. The majority of the respondents (71.7%) were female, 29% were less than 30 years old, 55% were between the ages of 30 and 50, and the remainder (16%) were at least 50 years old. The sample was evenly balanced between full-time (49.1%) and part-time (50.9%) workers, with 92.3% having a high-school diploma and 45.9% having taken at least some college courses. Based on the union records, the response rate was 14%.

Measures

A seven-point response format with anchors of strongly agree and strongly disagree was used for all items (all items are available from the first author). Two items (internal consistency reliability = .76) from Cammann, Fichman, Jenkins, and Klesh (1983) were used to assess turnover intentions. Company and union commitment were each assessed with three parallel items (reliabilities = .88 and .89, respectively) that were identical to those used by Bemmels (1995) with the exception that a seven-point response scale was used (rather than a five-point scale). These items are based on the organizational commitment scale developed by Mowday, Porter, and Steers (1982) and the union loyalty scale developed by Gordon, Philpot, Burt, Thompson, and Spiller (1980). Finally, union-management relations was assessed with four items (reliability = .80) developed by Biasatti and Martin (1979).

Results

Structure of commitment. Since differences in the latent structure of a set of union and company commitment items can cause interpretational problems with respect to relations among union and company commitment scales (Gordon and Ladd 1990), an exploratory principle components analysis with an oblique factor rotation was conducted using the three union commitment and three company commitment items. Two factors were extracted, accounting for 80% (54.5% and 26.4%, respectively) of the interitem variance. After rotation, the three union commitment items had high (.88 or greater) loadings on the first factor, while the company commitment items

had high (.87 or greater) loadings on the second factor. The two factors had a correlation of .34. These results suggest that the items tap distinct but correlated constructs.

Prevalence of dual commitment. The taxonomic approach typically involves categorizing a sample into "high" and "low" levels of each type of commitment, thus forming four quadrants representing the four possible combinations of the commitment measures. Two categorical methods were employed in the present sample. In the first, a median split was conducted (note: the median was equivalent to the scale midpoint for both commitment scales). Individuals who were exactly at the median on one or both scales were dropped from this analysis leaving 2,997 individuals in one of four quadrants. Most of the sample was either high (33%) or low (33%) on both commitment scales.

Perhaps the most important problem with the taxonomic method is that individuals are forced into "high" or "low" commitment categories. Therefore, a second set of analyses was conducted in which each scale was trichotomized by defining "neutral" as commitment scores between 3.33 and 4.67 on a 1-7 scale. Individuals who had scale values that were higher or lower than the neutral group were categorized as "high commitment" and "low commitment," respectively. Using this approach, only 13% of the sample fell into the high union/high company commitment group, and only 15% fell into the low union/low company commitment group. Of the rest, 42% were classified as neutral on one of the two commitment scales, and 20% were classified as neutral on both. These results illustrate the central problem with the taxonomic approach. Allowing a "neutral" group on each commitment scale substantially changes conclusions drawn about the prevalence of dual commitment.

Using the dimensional approach, researchers evaluate the correlation between company and union commitment. This correlation was .35 ($p < .001$), which, using this approach, would be suggestive of a moderate level of dual commitment. Gordon and Ladd (1990) point out that the correlation between company and union commitment may be a by-product of labor management relations in a particular situation, therefore two additional correlations were computed. The first was the partial correlation between company and union commitment, controlling for the relationship of labor management relations to each. This correlation was .20 ($p < .001$), indicating that controlling for labor management relations climate influences the conclusions drawn about the level of dual commitment.

Since the union management relations climate may be a unit-level phenomenon, we also computed the correlation of the *level* of the union management relations climate and the *correlation* between union and company

commitment. This correlation indicates whether the level of dual commitment (i.e., the magnitude of the union-company commitment correlation) is related to the labor relations climate in each store. Thus the data for this correlation were the 54 store-level correlations (mean r = .34, range = .09 to .58) and the store average on the labor relations climate scale (note: the average sample size for each store was 71 with standard deviation = 21). This correlation was small (r = .04) and nonsignificant, suggesting that between-store differences in labor relations climate did not appear to influence the within-store correlation between company and union commitment.

Influence of dual commitment on turnover intentions. The final set of analyses tested the hypothesis that company commitment moderates the relationship between union commitment and turnover intentions. This hypothesis was tested with a hierarchical moderated multiple regression analysis. Hierarchical regression analysis allows researchers to evaluate the unique variance explained in the dependent variable by a hypothesized predictor after controlling for the variance explained by another set of predictor variables. Following Bemmels (1995), the commitment measures were centered (i.e., the scale mean was subtracted from each individual's score) prior to computing the cross-product term representing the interaction between union and company commitment.

The union-management relations scale was entered on the first step of the analysis. This predictor accounted for 14% of the variance (R^2) in turnover intentions. On the second step, the centered versions of the company and union commitment scales were entered. Together, these scales accounted for an increase in the R^2 of .17 (p change < .001), for a total R^2 of .31. The company and union commitment interaction term was entered on the last step. Entry of this term did not produce a significant change in the R^2, suggesting that the commitment interaction does not account for variance in turnover intentions. The same analysis was conducted at the store level of analysis and at the individual level using several additional attitudinal and demographic control variables. The interaction term did not account for a significant increase in the R^2 in either case.

Discussion

Following a critical analysis of dual commitment research, the existence of dual commitment was examined in this sample using a variety of techniques suggested by previous research. The results indicate that the taxonomic approach yields very different results depending on which taxonomy is used. The median split method yielded an estimate of 33% of the sample

classified as dually committed, while adding the neutral category reduced this estimate to 13%. It should be noted that this represents a very liberal estimate of the prevalence of dual commitment because a relatively narrow band of scores was used to classify individuals as neutral on either measure. A more restrictive definition would produce an even lower estimate. This study suggests that many individuals do not have strong emotional attachments to either organization. Assessments of the prevalence of dual commitment need to take this into account. What would be of particular interest is *why* some individuals do not form strong attachments. For instance, if attachments are influenced by enduring dispositions, they may be more difficult to change than if they are primarily influenced by situational phenomena. A second topic of interest would be development of scale norms for classifying individuals as high or low in union or company commitment.

The dimensional approach to dual commitment indicated a moderate correlation between union and company commitment. This correlation varied substantially across stores, although not as a function of store differences in individuals' perceptions of the labor-management relations climate. Differences in this correlation may be a function of methodological artifacts such as sampling error or a third variable. Future dual commitment research using this approach should examine other situational and individual difference phenomena that may influence the relationship between company and union commitment. We echo the concerns of others who note the problems with the dimensional approach as a method for assessing dual commitment (e.g., Bemmels 1995; Gordon and Ladd 1990). However, it is important to note that this correlation is useful in a descriptive sense for researchers studying dual commitment as well as for organizational behavior research in general.

The main focus of our critique was on problems associated with the interactional model of dual commitment, which uses moderated regression analysis. The present study did not obtain a significant interaction between company and union commitment for predicting individuals' intentions to leave their employing organization. While these results apply only to our choice of sample and dependent variable, it suggests that Bemmels results may not generalize to other dependent variables.

The moderated regression approach overcomes some of the problems with the dimensional and taxonomic approaches. However, this analysis can only provide statistical evidence for the magnitude and form of the interaction between two independent variables. These factors vary according to the choice of a dependent variable and, in all likelihood, the choice of a sample and setting. The moderated regression approach does not, in and of itself, provide empirical evidence for the construct validity of a distinct

construct such as dual commitment. Thus any single study obtaining an interaction between company and union commitment is not sufficient to confirm or dispute the existence of dual commitment.

This study is subject to the same limitations as other cross-sectional survey research. The results may be, in part, attributable to common method variance, sampling error, survey design, or model misspecification. The lack of a significant moderator effect may be attributable to unique characteristics of this sample and situation. Further, we tested differences in the company/union commitment correlation across different stores within the same bargaining unit. Between-store differences in labor relations climate perceptions may not be salient enough to affect the relationship between dual commitment and turnover intentions. Finally, intentions to remain with the organization may not be an appropriate criterion variable to test the moderated regression model of dual commitment.

What items should be on the dual commitment research agenda? Given space considerations, we will not elaborate on any of these, but a useful list would include the following research directions. First, researchers should focus on further development of the theoretical rationale for the existence of dual commitment as a unique phenomenon. This effort should include the development of a rationale for the unique effects of dual commitment on specific criteria, specification of the conditions under which these effects may or may not be present, and development of a clearly specified system of hypothesized correlates of dual commitment (beyond labor management relations). Second, a detailed examination of the efficacy of the "separate measures" approach to dual commitment is required. This research should focus on construct and content validity issues. For instance, research should address whether separate measures of dual commitment tap company and union commitment, role conflict among union members, or a unique phenomenon. Studies comparing the results of the moderated regression approach and the unique measures approach would also make an important contribution. Research using the moderated regression approach should strive to replicate obtained interactions between company and union commitment and, when such effects are obtained, report both the form and the magnitude of obtained interactions. Finally, research exploring why many people do not form strong attachments to either their company or their union and assessing the prospects for change would be useful.

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DISCUSSION

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I commend the authors of the three papers in this session which represent interesting and original inquiries into different human resource management subjects. Ahead, I suggest a few ideas for future revisions of these papers.

Elvira studies an issue that has preoccupied compensation researchers for a long time: the extent to which the use of bonuses in individual employee compensation may contribute to organizational efficiency. The paper contrasts two alternative explanations for the use of individual bonuses: agency theory (which would imply bonuses promote efficiency) vis-à-vis power theory (which would imply bonuses serve to distribute noncompetitive surpluses between employees and owners based on their relative power). I suggest the author clarify her reasons for choosing agency and power theories in the study of *within-firm differences* in the eligibility and receipt of bonuses by individual employees. I also recommend that the analytical portion of the paper be simplified. In the current version, the paper contrasts agency and power theories by estimating different multiple regression models independent of each other. I suggest the author consider estimating concurrently a system of equations. This would recognize one of the key explanatory variables (the dummy for whether individual employees are bonus-eligible) is not exogenous to the process determining total employee compensation. Alternatively, the author could use a hierarchical approach to estimate the relative explanatory power for factor groups corresponding to agency or power explanations.

Sinclair and Martin analyze alternative views for the notion of dual union and organization commitment (DUOC). Their finding of no congruence between three DUOC conceptions should be expected because the three DUOC conceptions examined correspond to distinct phenomena. The "taxonomic" DUOC view deals with individual-level phenomenon: the concurrence in reporting high levels of union and organizational commitment by individual employees. The "dimensional" DUOC conception deals with a group-level phenomenon: the correlation between organizational

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and union commitment. Finally, the "interactional" DUOC view refers to a different group-level phenomenon: the joint impact of union and organizational commitment on select outcome variables.

This paper could be reorganized along the two dimensions by which DUOC conceptions vary: the *unit of analysis* (individual employees or groups) and the *foci* (concurrence of high reported levels, correlation, or the joint impact of union and organization commitment on other variables). Such reorganization may allow the authors to expand on the meaning, potential correlates, and implications of different union-organization commitment phenomena. In addition, such reorganization may lead to a more cohesive approach to data analysis. For instance, the authors could determine if groups that have a high portion of employees reporting high union and high organizational commitment levels also have a high correlation between the two commitment measures and/or a significant (within group) interactions between organization and union commitment in predicting key outcome variables.

Friedman, Kane, and Cornfield discuss the effect of network groups on the career expectations of minority employees. My suggestions concern their methodological approach: specifically, their treatment of single-item measures for key attitudinal variables. First, some results could be spurious, attributable to common method variance. The authors should read the article by Podsakoff and Organ (cited by Sinclair and Martin) for advice on this matter. Second, the authors should use inferential techniques that are compatible with the level of measurement in key variables. The single-item (Likert) attitudinal variables in this paper correspond to ordinal-level measurement. Therefore, Table 2 should report rank-order correlations, and Table 4 should report results from ordered logit or probit regressions.

DISCUSSION

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The three papers presented in this session were an eclectic group that explored three very different issues. These papers discussed the effectiveness of network groups among black managers, the role of bonuses in compensation practices, and the relationship between dual commitment and turnover in unionized environments. It was a highly competitive session, and the papers were well developed and interesting.

Friedman, Kane, and Cornfield examine the effect network groups have on career optimism and ascertain whether groups enhance isolation and discrimination using a sample of members from the National Black MBA Association. Specifically, they question whether network groups have a positive impact on minority employees and the specific effects that produce a positive impact.

While it is an interesting study, a number of problems arose concerning the data presented in the paper. First, the response rate for this study is small (14%), and only 34% of this group reported having network groups in their companies. The authors acknowledge the low response rate and explain that this association is one that is consistently surveyed by many groups, and the low percentage of network groups is consistent with an earlier study on black network groups. Second, it appears that individuals were asked only if their company had a network group, not if individuals participated, which could lead to different results in the attitudinal measures.

Third, while the authors acknowledge some of the research done on relational demography, I saw no indication they recorded the gender/race composition of the workforce or the network groups and the type of network group. The sample in this study is 45% female. Potentially, black females could be members of three different network groups: women, blacks, and black women. In this study, there appears to be an underlying assumption that the respondents are concerned only with responding about male/female black network groups. However, certain network groups (i.e., female or black female groups) may be more beneficial in social support

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and career optimism issues for females than would the black network group. The female composition of the black network group may have a significant impact on the results, particularly considering that 65% of those responding were from managerial positions where women have not been largely represented. Ely (1995) and Tsui et al. (1992) have shown that women's proportional representation in organizations (the upper echelons as defined by Ely) affects professional women's social constructions of gender difference and gender identity at work. Results further suggest that sex roles are more stereotypical and more problematic in firms with relatively low proportions of senior women. Other research by Martin (1985), Konrad and Gutek (1987), Yoder (1991), Wharton (1992), among others, has demonstrated that underrepresentation of women is associated with increased performance pressures, isolation from informal social and professional networks, and stereotyped role encapsulation for women. The size of the group is an important factor in network interaction. For example, a work group of 1 woman and 9 men encompasses different dynamics than do 10 women and 90 men, although the percentage of women represented are identical for each group. Work-related commonality may exist for the second group, whereas the first may be much more dependent on socioemotional commonality.

Fourth, although the authors find that network groups have no effect on discrimination, it may be helpful to determine the focus of the groups. Network groups that focus on organizational change and possibly have been successful in implementing change (e.g., a diversity program) that was sanctioned or supported by top management are considerably different from network self-help groups that lack any upper-level management support. The duration of the group's existence should also be considered.

Elvira's paper on bonuses examines how level and type of rewards vary across occupations (managers, professionals, supervisors, and clerical employees), keeping organizational context constant. While this article is only a small part of her dissertation, a more in-depth exploration of the differences in wage components between managers and supervisors with professionals is warranted here. Specifically, an explanation as to why professionals follow a more egalitarian pay model is needed.

The paper by Sinclair and Martin has two major focuses which may be better developed independently. First, the authors explore three approaches to dual commitment research which measure the different conceptualizations of dual commitment: (1) simultaneous high company and union commitment (the taxonomic approach), (2) strong correlation between measure of company and union commitment (the dimensional approach) and (3) statistically significant interaction between measure of union and company

commitment (regression interaction approach). They explore the differences in these approaches using a sample of retail employees. The authors discuss the advantages and disadvantages of these approaches citing previous studies, but they may want to go further and provide recommendations for various groups or studies. For example, when is the taxonomic approach preferred to the others? This paper could also explain the author's difficulty with the acceptance of Bemmels' (1995) work which calls for dual commitment as a unique construct. They conclude, and I would agree, that the significant interaction found by Bemmels can only be interpreted as the moderating effect of one variable upon the relationship between two others, not as evidence for the existence of a separate construct. A table would be helpful in comparing the differences that these approaches yield in analysis as well as defining the constructs. The second paper could more fully explore the relationship between dual commitment and turnover using company commitment as a moderating variable. Here, the authors need to examine and discuss the vast turnover and commitment literature in the development of their model.

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XIV. THE STATUS OF AFFIRMATIVE ACTION/EMPLOYMENT EQUITY IN SOUTH AFRICA, U.S., CANADA, AND U.K.

The Status of Employment Equity Programs in South Africa

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South Africa's peaceful transition through the recent (1994) national election and constitutional measures in the last four years has given hope that the constitutional democracy will provide equal protection and opportunity to all citizens regardless of color, gender, religion, political opinion, or sexual orientation. The draft constitution adopted by the Constitutional Assembly on May 8, 1996, has been approved by the constitutional court (Corder 1996). Section 9(2) states in part, "To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken." Section 9(3) states that "the state may not unfairly discriminate directly or indirectly against anyone on various grounds." Section 9 (4) states, "National legislation must be enacted to prevent or prohibit unfair discrimination." According to the new constitution, unfair discrimination in the workplace, as elsewhere, on any of the grounds enumerated above is illegal.

The country has established a Human Rights Commission under the Human Rights Commission Act in 1994 (Govender 1996) and a Gender

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Equality Commission. "The Office of Public Protector and the Commissions are of significance in realizing the benefits of the transitional constitutional order for the most vulnerable sections of the population" (Corder 1996).

In this context, redressing discrimination in the labor market takes on urgency. As the Commission on the Development of a Comprehensive Labor Market Policy (Lewis 1996:130-40) has noted, the apartheid system distorted the labor market in a manner that discriminated against the black majority. The Commission notes that a nondiscriminatory labor market may still be socially inequitable if certain demographic groups are systematically underrepresented in the better-paying occupations and sectors and overrepresented in low-paid occupations and among the unemployed (Labor Market Commission 1996:138-40).

Equitable representation is, in fact, the essence of employment equity, first coined in Canada to distinguish it from affirmative action (Abella 1984). In South Africa employment equity is needed since the legacy of apartheid is structural and tends to be self-reinforcing in the absence of concerted policy interventions to reverse this legacy in the form of employment equity (Labor Market Commission 1996:140). Both the commission's report and the Green Paper on Employment Equity (1996) document evidence of labor market discrimination. The commission notes that even after holding constant such factors as education, age, language, province, settlement type, sector, occupation, type of employer, and union membership, the effects of race and gender are still strong. Whites earn an estimated 104% more than Africans, and men receive 43% higher wages than similarly qualified women in similar sectors and occupations. (Labor Market Commission 1996:141-42). Most Africans, coloreds, Asians, and women suffer both disadvantage and discrimination in compensation, hiring, and other staffing practices.

Employment equity programs are explicitly designed to ameliorate discrimination. Employment equity refers to a comprehensive planning process adopted by an employer to identify and remove discrimination in employment policies and practices, remedy effects of past discrimination through special proactive measures, and ensure appropriate representation of designated groups throughout an organization (Jain and Hackett 1989:1-5).

Costs of Discrimination

Studies in the United States (Bergman 1971) and Britain (Tzannatos 1983) show that employment discrimination and poor educational opportunities entail significant economic costs in terms of lower national output,

labor market inefficiency, higher inflation, and excessive welfare and personnel system costs. The South African Labor Market Commission Report (1996:145) notes that employment discrimination imparts to the economy "a tendency toward a higher cost structure, lower output, uncompetitiveness in the global economy." At the firm level, underutilization of racial groups and women can lead to lower productivity and job dissatisfaction (Dunette and Motowidlo 1982).

Jain and Hackett (1989) developed an Employment Equity Index. Its purpose is to evaluate the effectiveness of employment equity programs. It consists of the following factors: accountability, numerical goals and timetables, monitoring and control mechanisms, ongoing publicity employment practice review, special designated group recruitment and training, appointment of an employment equity coordinator or committee, and the allocation of resources and a budget.

Breakwater Monitor: Project Overview

The successful implementation of affirmative action/employment equity at a national level requires systematic evaluation of change across regions and by economic sector. In this context, the Breakwater Monitor (BWM) national database and information service was established in 1991 as a partnership between progressive employers and the University of Cape Town Graduate School of Business. This longitudinal research project provides reliable labor market information, with an emphasis on tracking the implementation of employment equity practices. More than 150 leading South African organizations have participated in this study (Bowmaker-Falconer 1996:2).

Organizations voluntarily submit internal labor market information for comparative analysis and the establishment of benchmarks. The longitudinal capacity enables the observation of trends and the rate of change in affirmative action implementation in particular. The research process involves participating organizations submitting stock and flow data biannually on permanent staff strength by occupational level, race, and gender; recruitment, promotion, and exit patterns by occupational level, race and gender; training investment indicators; and education contributions to the broader society. BenchmarX, a software application, is used for reporting, and participating organizations receive customized reports comparing their own progress to that of the relevant economic sector and the national sample. In addition, a qualitative study aimed at better understanding the practices that underpin the rate of change among the Breakwater Top 15 organizations has been piloted. Our research captures patterns of change in the implementation of affirmative action/employment equity initiatives. This

paper refers to a two-year longitudinal study of the rate of change within a sample of 64 organizations compared to the Breakwater Monitor Top 15 companies. The benchmarks set by these Top 15 companies demonstrate real capacity for change but will be difficult targets for less committed or less resourceful organizations.

Selection of Longitudinal Sample

The Breakwater Monitor sample in March 1996 (843,011) represents 5.9% of the economically active population (14,297,048—*Central Statistical Service October 1994 Household Survey*); and 16.18% of total public and private sector employment (5,211,542—South African Reserve Bank, *Quarterly Bulletin March 1996*, 1994 estimates). White employees make up 35% of the Breakwater sample, and 51% are African. The South African economically active population (EAP) is 17% white and 69% African. Women (23%) are underrepresented in the BWM sample, while colored and Asian representation approximates the EAP. These differences are due to the bias of the sample in favor of formal sector corporate employment and the history of racial and gender-based discrimination in the formal sector labor market.

A total of 64 organizations (n = 667,661) were selected to participate in the two-year longitudinal study (April 1994–March 1996). The sample was selected from organizations that consistently reported stock and flow data for each of the four six-month reporting periods during the two-year period. Within the sample of 64 organizations, a further category has been selected for comparative purposes. This category is referred to as the Top 15 sample (n = 102,956). The Top 15 were selected using goal matrix rankings for representation by race and gender in the management, supervisory, and skilled levels. They represent best performance against these specific criteria as of March 1996.

The value in separating out the Top 15 is to better understand the fastest rate of change in the sample and to use these indicators as benchmarks for setting targets, time frames, and for human resource planning. In the context of the Breakwater Monitor sample, the Top 15 organizations represent leading edge employment equity practice in the management and highly skilled occupational categories.

Findings: Two-Year Longitudinal Study, 1994-96

The longitudinal sample (n = 667,661 employees) represents 79.2% of the Breakwater Monitor sample as of March 1996 (834,011). Table 1 shows a breakdown of employees (managerial positions) as well as recruitment, promotion, and termination patterns by race and gender and the percentage

change in job share of employees by race and gender from April 1994–March 1996 (n = 64 organizations). The sample profile by race at the end of the period is 39% white and just over 60% black employees. Women represent 25% of all employees but 50% of the EAP. Black women account for only 39% of all women and 13% of all employees in the sample.

TABLE 1

Stock and Flow Data—Managerial Levels by Race and Gender.
(64 Organizations n = 667,661). April 1996–March 1996.

	Management Levels					
	April 1994			March 1996		
	Women	Men	Total	Women	Men	Total
Stock						
Black	302	2,086	2,388	582	3,252	3,834
White	3,460	29,148	32,608	3,996	29,278	33,274
Total	3,762	31,234	34,996	4,578	32,530	37,108
Recruitment						
Black	16	97	113	182	206	388
White	84	395	479	119	401	520
Total	100	492	592	301	607	908
Promotions						
Black	14	147	161	210	589	799
White	179	952	1,131	329	1,159	1,488
Total	193	1,099	1,292	539	1,748	2,287
Terminations						
Black	8	64	72	32	119	151
White	139	745	884	195	856	1,051
Total	147	809	956	227	975	1,202

The sample shows a 0.88% decline in employee numbers across the two-year period (from 673,585 to 667,661), with the number of black employees increasing by 1.05% (black women by 15.42%) and whites declining by 3.74% (from 271,642 to 261,480). Women increase their overall job share by 2.36% over the period, with white women showing an overall decline of 4.57% and black women an increase of 15.42% (57,133 to 65,944). The Top 15 show a greater decline in employment numbers (3.20%) and particularly for white employees (11.39%). They also show a higher increase in the number of black employees (2.62%).

Recruitment as a proportion of total staff averages between 4%–6% during the period. A greater number of men than women were recruited and more blacks than whites. Black men account for 35% of all recruitment. The Top 15 sample averages a 10% higher black recruitment ratio

(66.71%) than the national sample at the end of the period. There is a more than 100% (126%) increase in black promotions across the two-year period but contrasted with a 51% increase in terminations.

Management levels include junior to executive managers as well as all professional job categories. The Top 15 and the national sample management pool both grew by around 6%, with the Top 15 black representation in management breaking 20% at the end of the two-year period. This represents a 68% growth in black management representation in two years. The rate of change for the national sample was 60%, ending with a 10% black representation in management. The rate of change for women in management is 21% in both samples across the period. White managers account for 89.6% of top management posts in our national sample.

Employment Equity Practices

In addition to the longitudinal tracking, a pilot study was conducted using an employment equity survey to obtain a better understanding of practices that govern the implementation of affirmative action. It explores the relationship between rate of change and specific human resource practices. The Top 15 sample researched in the quantitative study was used. Ten of the 15 organizations responded (n = 28,745 employees). The findings are presented using Jain and Hacket's employment equity index factors. Ninety percent indicated they have a stated employment equity policy. The policy was implemented before 1990 in 22.2% of companies, between 1990–1994 in 66.6% of companies, and after 1996 in 11.1% of companies. Black Africans are designated as the most important group, followed by coloreds and Asians. Reasons for implementing employment equity were ranked (in order) as better utilization of human resources, improved productivity, political changes, and improved customer service.

Resource allocation. Fifty percent of respondents allocated a separate budget for implementing employment equity, and 40% spend between R750,000–R3,000,000 on employment equity per annum.

Coordination and practice review. Sixty percent of respondents have an employment equity committee and 70% have an employment equity manager or coordinator. Seventy percent have reviewed their employment practices during the five-year base period. Recruitment and selection and training and development are the subject of review in 90% or more firms.

Support and accountability. Eight percent have a grievance procedure for dealing with employment equity complaints. Seventy percent indicate that employment equity is built into managers' performance assessment.

Accountability is largely at senior management and board level (80% of respondents). Only 50% of junior managers and 20% of supervisors are accountable for employment equity. Numerical goals and timetables are set for three years in most (60%) companies, with a majority of these (60%) requiring quarterly reports on employment equity progress.

From the above findings it is concluded that "more progressive" organizations have coherent policies and practices which are communicated to employees and regularly reviewed. Senior managers are held accountable, and performance management and reward systems are linked to the practice of employment equity. In the broader South African context, these practices and approaches will become more prominent when employment equity legislation is introduced. A minority of organizations appear to be preempting legislation.

Discussion

The Breakwater Monitor has collected employment-equity-related data for four years. Clear patterns of change are now emerging. In many cases these trends reflect a positive rate of change in South African organizations. These benchmarks will be difficult for less committed and less resourceful organizations to follow. The Top 15 organizations in the longitudinal study are in sectors that are aggressively pursuing new markets. They can be divided into three categories: FMCG, financial services, general retail and trade; commercialized public corporations that are subject to regulation and political change; and multinationals that have been actively pursuing a form of affirmative action for the past two decades.

In interpreting the longitudinal findings, it is important to keep in mind that the Breakwater Monitor sample is biased toward large employers. Furthermore, these organizations participate in the study on a voluntary basis and could by implication be considered more progressive in their practices. It is unlikely that the national norm for black managers exceeds 1%. The difference in progress between the Top 15 and the national longitudinal sample is essentially threefold. Firstly, the Top 15 had already made better progress at the start of the period two years ago. This, together with a longer standing commitment to change, appears to have developed its own momentum. Secondly, the development focus is on both management and more highly skilled levels. Thirdly, these organizations show high rates of change across the entire staffing process—specifically in combining recruitment and promotion activities. Although there is still reasonably high labor turnover of black employees in the Top 15 sample, the net effect remains positive change given vigorous recruitment, development, and promotion strategies, especially at the management and skilled occupational levels.

Projections based on the rate of change found in the longitudinal study show that by 1998, African, colored, and Asian managers could collectively represent 32% of all managers in the Top 15. This could increase to 52% by the year 2000. The assumption made is that the management pool will continue to grow at 6% for every two-year period and that the number of white managers will be substantially reduced. The equivalent projections for the national longitudinal study (n = 64) is 15% in 1998 and 25% in the year 2000. A similar pattern of increase in African, colored, and Asian representation in skilled occupational levels will be seen over the next five years but from a much higher base than management.

Changing the overall skills capacity of the South African workforce remains, however, a major challenge and will require most organizations to develop a more coherent strategy and a positive approach to education and training. A disturbing labor market trend, which has a direct bearing in the private sector's labor absorption ability, is the restructuring which has led to a net downsizing of 1.14% (9,600 in our sample of 843,011). Nonetheless, a positive finding is that African people make up 16% of managers in leading companies, 6% more than eighteen months ago. Women in management have increased by an average of only 1%. In the Top 15 companies, African managers now make up to 70.7% of all new management recruits compared with 20.3% in 1994. The national (management) recruitment average is now about 42%. Our study shows that aggressive recruiting has also coincided with increased levels of promotion. At the top end, 42% of all management promotions are now African, compared with a national average of 18%.

Certain organizations have clearly taken up the challenge of transformation in a rigorous way, with changed organizational structures upskilling the workforce (Bowmaker-Falconer 1996b). The approach taken in more successful organizations includes external recruitment coupled with internal development, advancement, and involvement of employees in the process. This process is considered important to both improve productivity and create role models who are able to influence decisions and the institutional culture of the organization at a senior level (Ramphele 1993:2-3). A reliable system of information reporting is vital, especially for setting targets, executive reporting, and evaluating employment equity performance.

It is increasingly acknowledged that better human resource practices and more attention to the structure and culture in which people work can give organizations a competitive edge (Hiltrop and Despres 1994). Despite this increased awareness, the systematic and provision of human resource information is rarely addressed in human resource management (Morgan 1992).

Employment Equity Legislation: Building Relationships

Legislation to promote employment equity is imminent given the structural and systemic nature of labor market discrimination. This legislation should promote a coherent framework and guidelines for ensuring the transformation of internal labor market practices and encourage employers to actively introduce affirmative action initiatives. International experience shows that legislation does not guarantee compliance and, more specifically, does not guarantee the reporting of reliable information. It is therefore important that the Directorate of Equal Opportunities develops a partnership and sense of common purpose with organizations and other institutions. An important consideration for building mutually beneficial relationships is to ensure that the data collected are analyzed and reported back to organizations in a format useful for decision making (national, regional, and by economic sector). This in itself will act as an incentive and assist reliable reporting. It will also allow organizations to compare and benchmark their progress and practices.

Target groups should include Africans, coloreds, Asians, women, and people with disabilities. These target groups should be weighted at a national, regional, and economic sector level and also take into consideration the reality of skills availability in certain scarce skills categories. The monitoring of employment equity at a national level is not possible without the systematic and efficient collection of reliable information. An incremental approach is recommended commencing with basic data and developing more complex requirements over time. The Breakwater Monitor data parameters could be used as a base model to build on but would need to be combined with employment equity/affirmative action plans. These plans should include these base data as well as clear objectives for change. Plans should emphasize anticipated rate of change and should be standardized where possible to allow meaningful and consistent evaluation and comparisons of progress by the Directorate of Equal Opportunities. Plans should cover a maximum of a three-year period, with annual progress reports against objectives.

Employment equity plans should be the responsibility of employers and be flexible to accommodate regional, economic-sector, and organization-specific variables. Absolute targets or quotas are not considered a workable option, although national guidelines from the Directorate of Equal Opportunities are necessary. It is recommended that a synopsis (key indicators) of employment equity plans be required as part of an organization's annual financial reports. This will ensure a degree of public accountability. Legislation should not be punitive but enabling. The primary incentive should be access to useful information for decision making. This will be difficult to

achieve under an adversarial relationship between the Directorate of Equal Opportunity and organizations. An overall rating of an organization's employment-equity initiatives would be useful but would need to be built on objective measurement. Though not unproblematic, tax incentives and public recognition may be considerations. It is widely recognized that successful economic development depends importantly upon investments in both physical and human capital. An educated and trained workforce contributes to a country's ability to respond flexibly to rapid economic and technological change. For policy makers, the challenge is to develop this national capability through fostering incentives to train and removing impediments to training and through mobilization and effective use of public and private sector educational resources (Tan and Batra 1995:1).

In conclusion, the Breakwater Monitor trend analysis observes emerging patterns over two-year periods or more and assesses structural changes in the labor market. Most importantly, it considers rate of change and has shown that this rate is increasing in respect to affirmative action decisions and practices (Horwitz, Bowmaker-Falconer, and Searll 1996:134-35). Notwithstanding reduced middle management employment, our findings indicate that African managers as a proportion of all managers have increased. The fact that a ceiling to advancement still occurs may create more insistent demands for organizational culture change and change in power relations. Economic empowerment through joint ventures and purchases of block share capital in large organizations by emergent African business consortiums has also become a significant part of the redistribution of wealth and power relations in South Africa. The recent purchase of a controlling share of Johnnic, one of South Africa's largest companies by an African consortium (New Africa Investments Ltd.) and others is an example. This broader notion of employment equity is also very important in ensuring that economic empowerment goes beyond individual access to skills and promotion opportunities. The legitimation of the new political economy of South Africa is an important aspect of democratizing the society and creating diversity at every institutional level.

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Legislation and Employment Equity in Britain and Northern Ireland

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Employment equity legislation was introduced in the United Kingdom during the 1970s and has been gradually expanded to include more groups and more aspects of employment. A distinctive feature is the existence of separate legislation covering sex, race, religion, and disability, together with separate enforcement bodies and separate geographical arrangements in Britain and in Northern Ireland. A further complicating factor has been the role of European Community (EC) law which takes precedence over U.K. law and has increasingly dictated changes in the form of the legislation.

In this paper we review the legislation and then decompose differences in employment probabilities in order to explain the determinants of unemployment for the various groups and estimate segregation indices. For reasons of space we do not include the logit and ordered probit equations estimated to derive these results (but they are available on request from the authors). The empirical work is based on the 1994 Labor Force Survey.

Legal Framework

A major feature of post-war British industrial relations has been the "principle of voluntarism," which holds that collective agreements are more likely to last if they are agreed by the parties themselves (employers and trade unions) without outside interference. Thus collective bargaining is held to be preferable to state regulation, and this has shaped attitudes toward legislation in the labor market.

The starting point was the 1970 Equal Pay Act, covering comparisons between men and women undertaking the same or broadly similar work, or work that was rated as equivalent under a job evaluation scheme. The government amended the act in 1983 to conform with EC requirements by passing the Equal Pay (Amendment) Regulations to incorporate equal pay for work of equal value.

The 1975 Sex Discrimination Act prohibits discrimination with respect to hiring, opportunities for promotion, transfer, training, and dismissal

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procedures on the basis of sex or marriage. That is, the act offers protection to married persons of either sex, to single men and women separately, but not to single persons as a group. Over time, these equality rules have been extended, more often than not as a consequence of European Union legal decisions to cover pregnancy, retirement and pension ages, part-time work, and employment in the armed forces.

The 1976 Race Relations Act mirrors the terms of the 1975 Sex Discrimination Act with respect to color, race, nationality, or ethnic or national origin. Race legislation has been relatively unaffected by European law because neither the Treaty of Rome nor the European Convention on Human Rights provides explicit protection against racial discrimination.

Both race and sex discrimination acts have provision for remedies to be obtained by individuals through application to an industrial tribunal within three months of the action which is the subject of complaint. There was a maximum limit of the compensation that may be awarded, but in 1994 following a case in the European Court of Justice, the government decided that it would remove the upper limits on all employment cases in Britain.

Key bodies in the British approach to equal opportunities are the Equal Opportunities Commission and the Commission for Racial Equality. They have the responsibility for ensuring that the equality laws are understood and used; for providing advice, support, and backing for individuals taking cases to tribunals; and for putting pressure on government to alter or strengthen the law when it is believed that change is necessary. They have the power to request information from employers and other bodies, to undertake formal investigations, and to issue nondiscrimination notices. In line with the principle of voluntarism, both bodies have the power to issue codes of practice. While a failure by an employer to observe any provision of the code does not in itself constitute an unlawful act, it may be taken into account in legal proceedings. There is no provision for affirmative action, in general, in the above legislation. However, positive action in relation to the provision of training opportunities is permissible where there have been fewer or no members of one race or sex in particular work in the previous twelve months.

Separate industrial relations arrangements have always existed in Northern Ireland, which has its own separate discrimination and associated equal pay legislation but not legislation covering racial discrimination. It is with respect to religion (which is not covered by legislation in Britain), however, that Northern Ireland has the most extensive equal opportunities legislative framework with provisions for both affirmative action and contract compliance.

The Fair Employment (Northern Ireland) Act of 1976 outlawed employment discrimination on grounds of religion and political opinion and

provided for the establishment of a Fair Employment Agency with advisory, research, investigating, and enforcement functions. This was not dissimilar to arrangements in Britain and reflected the voluntarist approach there. In practice, this legislation proved ineffectual, and a Fair Employment (Northern Ireland) Act was passed in 1989 which considerably strengthened the provisions of the 1976 act. The act provides for the compulsory registration of employers of more than ten workers with the Fair Employment Commission; the compulsory annual monitoring of workforces and of applicants for employment; the compulsory review every three years of recruitment, training, and promotion practices; affirmative action, where necessary, with goals and timetables; the outlawing of indirect discrimination; both criminal penalties and economic sanctions against bad practice, compensation for individuals, and a code of practice. Penalties under the act also include exclusion from tendering for government contracts and denial of any government grants.

One of the major developments in employment over recent years has been an awareness of the increasing incidence of discrimination against people suffering from disabilities. Of the working age population in Britain, 11% (3.9 million) have a work-limiting, long-term health problem or disability. The economic activity rate for disabled people of working age is only 40%, compared to 83% for nondisabled people. Further, unemployment rates are 21.2% for the disabled, compared to 7.6% for nondisabled persons. In the case of men, the corresponding figures are 25.2% and 8.9%; for women, 14.8% and 6.0%. The 1995 Disability Discrimination Act defines a disability as a physical or mental impairment which has a substantial and long-term adverse effect of the ability to carry out day-to-day activities, and protection is offered against discrimination in recruitment, appointment, dismissal, and the like for a reason which relates to disability. The act imposes an obligation on employers to make certain adjustments to their premises and the way in which they operate in order to accommodate disabled employees. Defenses include excessive economic costs of compliance and those employing less than twenty workers are excluded. The disability legislation, while incorporating many of the provisions of the sex and race discrimination, highlights the inconsistencies which have pervaded U.K. equality-of-opportunity legislation.

As shown in Table 1, discrimination applications in Great Britain are relatively few in relation to the number of workers employed and considerably lower than in North America (see Jain and Sloane 1990), though there is a tendency for the number of cases to increase over time. While the incidence of applications in relation to employment is much higher for race than sex, even here there is reason to believe that actual discriminatory behavior is

TABLE 1
Discrimination Applications–Great Britain

	Equal Pay				Sex Discrimination				Race Relations			
Period	No. of Applications	% settled by conciliation and/or withdrawn	% upheld % by tribunal	Dismissed by tribunal or otherwise dropped	No. of Applications	% settled by conciliation and/or withdrawn	% upheld % by tribunal	Dismissed by tribunal or otherwise dropped	No. of Applications	% settled by conciliation and/or withdrawn	% upheld % by tribunal	Dismissed by tribunal or otherwise dropped
1976	1742	59	12	29	243	51	10	39				
1977	751	52	12	26	229	66	7	26				
1978	343	77	7	16	171	61	8	31	146	55	3	42
1979	263	70	5	25	178	66	9	25	364	48	16	36
1980	91	71	4	24	180	61	8	30	426	52	5	42
1981	54	50	11	40	256	65	7	28	332	59	5	36
1982	39	67	15	18	150	63	16	21	273***	55	7	38
1983	35	57	26	17	265	56	23	20	310***	47	11	42
1984	70	64	16	19	310	62	17	21	364	57	8	35
1985/6*	367	53	10	37	440	63	10	27	718	52	9	39
1986/7	517	68	9	23	612	65	8	27	672	52	6	42
1987/8	1043**	80	1	29	691	68	7	25	709	56	9	35
1988/9	813	55	2	44	935	68	8	24	839	57	6	37
1989/90	397	69	8	23	1046	72	8	20	939	59	6	35
1990/91	508	61	2	37	1078	70	7	22	926	60	5	35
1991/92	227	64	2	34	1164	73	8	19	1032	64	5	32
1992/93	240	77	9	14	1386	68	9	23	1070	63	6	30
1993/94	780	94	2	3	1969	74	9	17	1304	56	12	32
1994/95	418	92	2	6	4052	81	8	11	1365	61	5	34

* 15 months

** multiple application of 719

*** Higher estimates of the total number of applications for 1982-84 were later published as the earlier method of counting led to under recording of applications. The revised figures were 532 applications in 1982, 487 in 1983 and 581 in 1984.

Source: Department of Employment Gazette.

much higher than these figures imply. In 1994-95 there were 67,325 industrial tribunal cases in total, with 40,039 concerning unfair dismissal and 6,926 redundancy pay, so there is no unwillingness in general to make use of the industrial tribunal system. The low probability of success, particularly if not provided with assistance by the EOC or CRE, together with the relatively small size of compensation (prior to the removal of the upper limit) may explain the relative lack of willingness to make use of the legislation. In addition, rising levels of unemployment over much of the period may have reduced the willingness of workers to challenge employers.

Explaining Employability and Occupational Segregation

The fundamental question is to what extent has employment equity legislation been successful in removing labor market discrimination against minority groups. Initially, following the approach of DeFreitas (1991), each group's own level of characteristics and a vector of coefficients from their logit regressions are used to calculate a predicted probability of unemployment. These predicted rates are then subtracted to give the difference between the two groups under consideration, and it is this figure which is reported in Table 2, row 1. Looking initially at the racial decompositions, we can see that by far the largest differential over the white majority is that for "other blacks" at nearly 123%, while the lowest figure is for the Indian-Chinese/whites at just 2%.

The second row of the table shows the predicted differential if each group was treated in a manner identical to the white control group (i.e., if nonwhites were treated as whites and vice versa). As can be seen from row 2, the predicted differential falls substantially for most groups with the exception of the Indian-Chinese/white differential.

Row 3 attempts to isolate the role of labor market characteristics in the predicted unemployment differential of each group. Other than in the case of Indian-Chinese/whites, equalization of human capital and other labor market characteristics would not eliminate the unemployment differential observed between the groups. In the case of the Pakistani-Bangladeshi/whites, other coloreds/whites, and West Indians/whites, approximately one-third of the differential could be eliminated by improving education and related characteristics. For "other blacks" the picture is more bleak; 79% of the differential would still remain after any improvement. Therefore, the only conclusion that can be drawn from this analysis is that the majority of the predicted differential is due to factors other than education and socio-economic groups, among which is included labor market discrimination.

A similar conclusion also holds when we analyze the unemployment gap by gender. If males were treated as females and vice versa, the predicted

TABLE 2

Decomposition of Differences in Unemployment Probabilities

Assumptions	West Indian-White Differential	Pakistani/Bangladeshi-White Differential	Indian-Chinese-White Differential	Blacks (Other)-White Differential	Other Coloreds-White Differential	Catholic-Protestant Differential	Male-Female Differential
Group's own characteristics and coefficients	0.0586	0.07631	0.023281	0.117766	0.044292	0.016802	0.020204
Other group's coefficients, group's own characteristics	0.01513	0.0068	0.066315	0.01178	0.0161	0.011991	0.011572
Group's own coefficients, other group's labor market characteristics	0.0424	0.048989	0.069754	0.093337	0.029105	0.002971	0.01619

Note: Variables in the logistic regression from which these results are derived include eight socioeconomic groups, marital status, educational dummies, age, sex, race, whether foreign born, and regional dummies.

gap would fall. Substitution of labor market and other related characteristics would also lead to a drop in the differential, but this is only of the magnitude of 20%. Thus 80% is due to tastes or discrimination. Note that such a difference in the case of earnings is routinely taken to imply discrimination against women. Here the implied discrimination is against men!

On the other hand, equalizing education and occupational levels would eliminate most of the differential between Catholics and Protestants in Northern Ireland, also shown in Table 2. The differential would fall by 82%, leaving 18% to be explained by "other factors."

In policy terms these results suggest that in the case of race, it is necessary to target particular racial minority groups and that improvement in education and training will not by themselves be sufficient to eliminate the predicted unemployment differential. The male unemployment differential over women can only be removed if men enter jobs formerly dominated by women (on the assumption that SEGs are too broad to capture the presence of male-dominated and female-dominated jobs). In contrast, in Northern Ireland most of the Catholic unemployment differential appears to be explained by educational and occupational rather than differential treatment, given the level of education and socioeconomic group.

Moving to the question of occupational segregation, there is considerable evidence within the literature suggesting that differential racial groups tend to crowd into various occupations as do males and females. Our methodology adopts a procedure which has been applied mostly to the area of gender discrimination (see Brown et al. 1980), though more recently Gabriel (1991) has also utilized the technique to assess the extent of segregation between native and immigrant males in the U.S. The model postulates that the occupational attainment process of the groups under analysis is based on a conditional probability function which indicates the likelihood that an individual will end up in a given occupation, i.e.,

$$P_i(OCC_j = 1) = F_{ij}(H[X_{ij}\theta]),$$

where X_i is a vector of personal characteristics and human capital, θ is a vector of unknown parameters, and I = 1.....n and j = 1.....J.

The most commonly used index to provide a measure for segregation is the Duncan and Duncan (1955) index given by

$$D = \frac{1}{2} \sum_{j=1}^{m} | F_{wj} - F_{ej} |,$$

where F_{wj} is percent of whites in occ j and F_{ej} is percent of ethnics in occ j. However, Borghans and Groot (1995) argue that this particular index suffers from a disadvantage. It only measures the number of SEG changes

needed to get an equal distribution as a *fraction* of the total number of whites and ethnics, for example. It would be more appropriate to relate the job changes to the total number of workers, white and ethnic. We also adopt this amendment, and so our index is calculated as

$$\theta \sum_{j=1}^{m} | F_{wj} - F_{ej} |,$$

where $\theta = F_w F_e / (F_w + F_e)^2$ and where F_w = number of white workers and F_e = number of ethnics. Empirical results are presented in Table 3.

TABLE 3
Segregation Indices

Group	Segregation Index (Actual)	Segregation Index (Hypothetical)	% Reduction in Segregation Index
Black-White	0.0014	0.00098	31
West Indian-White	0.0017	0.0004	75
Indian-White	0.0025	0.0017	31
Pakistani-White	0.0008	0.0004	54
Bangladeshi-White	0.0005	0.000046	90
Chinese-White	0.0009	0.0007	25
Other Coloreds-White	0.0019	0.0014	26
Male-Female	0.1994	0.0079	96
Catholic-Protestant	0.0023	0.0064	72

Note: The ordered probit regressions from which these results are derived are based on eight socioeconomic groups ordered in terms of the level of hourly pay and include the same independent variables as in the logistic regressions for employment probabilities.

The first column of Table 3 shows the segregation index for the actual SEG distributions, while the second column gives the index for the hypothetical distribution calculated on the basis of the ordered probit results, with majority group coefficients applied to each minority and summed over every individual to produce the new distribution. The third column shows the percentage reduction in the index after the white coefficients are applied to the ethnic minorities and after Protestant and male coefficients are applied to Catholics and females, respectively.

The actual segregation index itself reveals very little and therefore warrants little comment. The important number is the reduction in the index after the equalization of the distributions. As can be seen from column 3, the largest reduction is that for the Bangladeshis (90%), followed by the West Indians (75%). This implies that only 10% of the reduction in the index between the whites and the Bangladeshis can be attributed to discrimination and/or tastes. On the other hand, 75% of the reduction in the

index between the Chinese and whites cannot be explained by labor market "returns" and would imply that the Chinese suffer more discrimination or else have a taste for certain types of work. The same can also be said of Indians, blacks and, to lesser extent, Pakistanis.

A similar conclusion also holds when we look at gender occupational segregation. There is a 96% reduction in the index when females are treated as males, leaving 4% attributable to tastes of discrimination. In the case of the Northern Irish sample, 28% could be attributed to tastes and/or discrimination. It does not appear, therefore, that the major explanation for occupational segregation is to be found in employment inequity in terms of access to jobs. Rather, it is to be explained by the differences in personal characteristics that various minority groups bring to the labor market relative to the white, male, or Protestant majority.

Conclusions

Employment equity legislation in the U.K. can best be described as fragmentary, confusing, and inconsistent, though in part well developed compared with that of the U.K.'s European neighbors. After some twenty years' experience, substantial differences remain across groups both in terms of employability and occupational segregation. However, we can explain a substantial part of these differences in terms of the personal characteristics of different groups. Questions arise as to whether the law should now be consolidated to ensure that the same groups are protected across all parts of the U.K., that the same rules apply, and that the enforcement mechanisms are the same. But it is clear that while the law can provide a floor to prevent the occurrence of the most obvious manifestation of discriminatory behavior, by itself, it is insufficient to remove differences in labor market outcomes for ethnic, gender, religious, and other groups. Attention needs to be focused also on the acquisition of human capital through education and training and information flows concerning the labor hiring process. The general state of the labor market is also critical, since, for example, racial minorities experience a deteriorating relative position in the recession and an improving one in boom conditions. Economic growth can also make it easier to implement affirmative action provisions, since gains for the minority group are not necessarily at the expense of members of the majority.

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The Status of Employment Equity in Canada: An Assessment

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Legislation in most Canadian jurisdictions allows for the development of special programs to reduce the disadvantages experienced by the four groups designated as being disadvantaged in the labor market—women, aboriginal people, visible minorities, and persons with disabilities (Jain and Hackett 1989). Canadian employers are largely protected from the charge of reverse discrimination (Tarnopolsky 1980). Section 16(1) of the Canadian Human Rights Act explicitly permits the implementation of special programs that will prevent or reduce disadvantages to minority groups or remedy the effects of past discrimination against those groups.

Canada further confirmed its commitment to the principles of equality rights and employment equity in passing the Constitution Act of 1982. Section 15(2) of the Canadian Charter of Rights and Freedoms, which forms part of the Constitution Act, explicitly states that the equality rights guaranteed in Section 15(1) "[do] not preclude any law, program, or activity that has as its object the amelioration of conditions of disadvantaged individuals or groups."

The most extensive employment equity measures in Canada are in the federal jurisdiction. These include the Employment Equity Act, also known as the Legislated EE Program (LEEP), and the Federal Contractors Program (FCP). Both measures were initiated in 1986. The Employment Equity (EE) Act was recently revised by the Parliament with the revisions that came into force on October 24th, 1996. This act replaces the EE Act of 1986. The act expands coverage to the federal public service for the first time. The act's coverage of federally regulated employers in banking, communications, and transportation and federal crown corporations will continue as before.

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Employment Equity Legislation

As before, the EE Act applies to federal crown corporations and federally regulated private sector employers with 100 or more employees. The legislation requires these employers to file an annual report with Human Resources Development Canada (HRDC). Under the previous act (1986) employers were required to provide annual information on the representation of the four designated groups by twelve occupational groups and salary range, as well as hirings, promotions, and terminations. Under the new act (1996), in addition to this statistical information, employers for the first time will also be required to include in their annual reports (1) a description of the measures taken to implement EE and the results achieved, and (2) the consultations between the employer and its employee representatives concerning EE implementation.

Under the new act, failure to comply with the filing requirement can result in an administrative penalty for three specific reporting violations (for private sector employers only): (1) failure to file an annual report, (2) failure to include the required information, and (3) knowingly filing a report containing false or misleading information. The monetary penalty is $10,000 for a single violation and $50,000 for repeated and continued violations. All records used in the compilation of the annual reports must be retained by the employer for two years following the submission of the report. The annual reports are to be publicly available and will be given to the Canadian Human Rights Commission (CHRC). The CHRC is given the authority to conduct on-site compliance reviews (i.e., audits) to verify and ensure employer compliance beginning October 24, 1997. The new act also provides for the final enforcement, where necessary, by an EE tribunal. The tribunal is empowered to hear disputes and issue orders enforceable by courts.

The new act prescribes four factors to be taken into account in setting goals by an employer. These are (1) the degree of underrepresentation of each designated group in each occupational category, (2) availability of qualified persons in designated groups within the employer's workplace and the Canadian workforce, (3) the anticipated growth or reduction of the employer's workforce during the period of numerical goals, and (4) the anticipated turnover within the employer's workforce to which the numerical goals apply.

Federal Contractors Program (FCP)

FCP was established through a directive of the federal Treasury Board at the same time as the act was enacted in 1986. It applies to all Canadian

firms (mostly provincially regulated) with 100 or more employees who bid on federal contracts worth $200,000 or more. Under this program, contractors are required to sign a certificate of commitment to design and carry out an EE plan. Contractors that do not meet their commitments may ultimately face exclusion from future government contracts. The contractors are not required to file an EE plan with the government, only a commitment to develop and implement such a plan subject to on-site compliance reviews by EE officers from Human Resources Development Canada.

Approximately 1,295 contractors with a workforce of more than a million (1,118,155) workers were certified under the FCP as of April 30, 1996 (Personal communication to Jain, HRDC, November 13, 1996). A majority of contractors (689) are from Ontario, followed by Quebec (301) as of April 30, 1996.

Literature Review

Variation by Designated Groups

A review of the literature indicates that the effects of employment equity are not uniform: they differ across the designated groups, occupations, hierarchical levels, and within the designated groups. Based on data from the Labor Market Activity Survey, Gunderson, Meng, and Smith (1996) have found that the average wage premiums of designated group members was 7.2% in companies covered by the act and the Federal Contractors Program, relative to noncovered employers. Earlier studies indicated that women have been the main beneficiaries of voluntary employment equity programs (Blackely and Harvey 1988; Sloane and Jain 1990). Leck and Saunders (1993) have confirmed that the federal EEA has had a significant effect on increasing the representation of women. Jain and Hackett (1992) in their study comparing organizations with and without employment equity programs found that "female representation was higher in several occupational categories (upper/middle management, professional/semi-professional, supervisors) within the EE organizations" (p. 108).

The effects of employment equity differ for white women compared to women who also are visible minorities, aboriginals, and/or disabled (Leck and Saunders 1992). The wage gap in organizations under the EEA has decreased only for white women in jobs other than the top-paying salary categories, while the wage gap is actually increasing for visible minority, aboriginal, and disabled women, especially in higher salary ranges (Leck, Onge, and Lalancetee 1995). This supports the contention that minority women suffer from both race and sex discrimination (Leck, Onge, and Lalancetee 1995; Leck and Saunders 1992).

Although they do not directly address the impact of the employment equity program, Mentzer and Fizel (1992) examined the income from wages and salaries of 63 Canadian ethnic groups in the 1986 Canadian Census using regression analysis to control for the effects of location, age, nativity, language ability, education, industry, and employment status. They found that Filipinos, Koreans, Blacks, Hispanics, and West Indians, more than other groups, were subjected to earnings discrimination.

Critique of Studies

The studies on the effectiveness of the employment equity legislation suffer from some common flaws. For example, most studies that analyze the progress of designated groups in organizations covered by the EEA do not make comparisons with organizations that are not under the act. Thus it is unclear if the improvements reported by firms under EEA would not have been made in any case despite legislation, given the changes already taking place in the composition and human capital acquisition of the workforce (e.g., more women are graduating from post-secondary institutions). Even if improvements in the representation of designated groups in organizations under the EEA could be shown to be a direct result of the EEA, it would be difficult to show that the results achieved are due to employment equity plans and not due to public and designated group member's scrutiny of the annual reports filed by the employers.

In those studies that look at wage changes, it is possible that the labor supply may be elastic across the units observed (e.g., industries, provinces) so that a shift in demand caused by government policies may not cause wage gains (Leonard 1996).

Based on the annual reports of employers from 1987-94 (Table 1), and the external availability data from the 1991 census (Table 2), there are two trends that standout. First, employers have a long way to go to remove the glass ceiling that keeps designated group members from upper-management positions. Secondly, ghettoization of the designated groups in clerical positions is still prevalent as of 1994. Employers have to take proactive measures to train, promote, and remove systemic barriers so that designated groups are able to move past the glass ceiling and are evenly distributed among various occupations, especially in the senior management and nontraditional jobs.

Conclusions and Implications

This paper has summarized the important features of the new federal EEA. As was noted, the act has been strengthened: (1) employers are now required, for the first time, to have mandatory goals and time tables; (2)

TABLE 1

Designated Group Representation by Sector and Job Category, 1987-94

Job Category	Communications 1987	1994	1994 % of total	% change	Transportation 1987	1994	1994% of total	% change	Banking 1987	1994	1994% of total	% change
Designated Group: Women												
Representation in labor force (1991) 46%												
Upper-level managers	35	253	0.19	622.86	73	121	0.37	65.75	70	219	0.26	212.86
Middle or other managers	13608	24971	18.61	83.50	1063	1616	4.92	52.02	9475	10516	12.54	10.99
Professionals	8649	9487	7.07	9.69	771	767	2.33	-0.52	1913	3121	3.72	63.15
Semi-professionals and technicians	1515	472	0.35	-68.84	747	1028	3.13	37.62	3369	4480	5.34	32.98
Supervisors	7994	7034	5.24	-12.01	1196	882	2.68	-26.25	1485	1487	1.77	0.13
Foremen / women	2	0	0.00	-100.00	140	301	0.92	115.00	94	263	0.31	179.79
Clerical workers	96857	91671	68.30	-5.35	19034	13463	40.96	-29.27	49698	56487	67.35	13.66
Sales workers	228	253	0.19	10.96	2974	3633	11.05	22.16	2535	4360	5.20	71.99
Service workers	101	47	0.04	-53.47	6164	6945	21.13	12.67	205	84	0.10	-59.02
Skilled crafts and trades workers	43	15	0.01	-65.12	237	357	1.09	50.63	529	1132	1.35	113.99
Semi-skilled manual workers	3	0	0.00	-100.00	1362	2906	8.84	113.36	1167	1006	1.20	-13.80
Other manual workers	41	7	0.01	-82.93	662	851	2.59	28.55	498	710	0.85	42.57
Total number of employees	129076	134210	100.00	3.98	34423	32870	100.00	-4.51	71038	83865	100.00	18.06
Designated Group: Aboriginal peoples												
Representation in labor force (1991): 3%												
Upper-level managers	1	5	0.28	400.00	4	7	0.37	75.00	3	3	0.15	0.00
Middle or other managers	95	290	16.51	205.26	35	38	2.03	8.57	162	221	11.21	36.42
Professionals	46	107	6.09	132.61	12	12	0.64	0.00	36	99	5.02	175.00
Semi-professionals and technicians	15	8	0.46	-46.67	47	72	3.84	53.19	56	157	7.96	180.36
Supervisors	56	71	4.04	26.79	27	20	1.07	-25.93	36	45	2.28	25.00
Foremen / women	0	0	0.00	0.00	113	119	6.35	5.31	4	19	0.96	375.00
Clerical workers	725	1262	71.87	74.07	187	303	16.16	62.03	597	954	48.38	59.80
Sales workers	1	3	0.17	200.00	46	50	2.67	8.70	22	72	3.65	227.27
Service workers	6	5	0.28	-16.67	52	65	3.47	25.00	1	3	0.15	200.00
Skilled crafts and trades workers	3	3	0.17	0.00	226	220	11.73	-2.65	109	259	13.13	137.61
Semi-skilled manual workers	1	1	0.06	0.00	475	652	34.77	37.26	38	105	5.32	176.32
Other manual workers	2	1	0.06	-50.00	255	317	16.91	24.31	26	35	1.77	34.62
Total number of employees	951	1756	100.00	84.65	1479	1875	100.00	26.77	1090	1972	100.00	80.92

TABLE 1 *Continued*

Designated Group Representation by Sector and Job Category, 1987-94

Job Category	Communications 1987	1994	1994 % of total	% change	Transportation 1987	1994	1994 % of total	% change	Banking 1987	1994	1994 % of total	% change
Designated Group: Persons with disabilities Representation in labor force (1991): 7%												
Upper-level managers	28	78	1.14	178.57	21	15	0.55	-28.57	16	40	0.88	150.00
Middle or other managers	612	1814	26.59	196.41	126	141	5.19	11.90	309	519	11.46	67.96
Professionals	280	505	7.40	80.36	58	46	1.69	-20.69	77	167	3.69	116.88
Semi-professionals and technicians	33	35	0.51	6.06	141	132	4.86	-6.38	190	403	8.90	112.11
Supervisors	183	335	4.91	83.06	57	34	1.25	-40.35	104	91	2.01	-12.50
Foremen / women	3	4	0.06	33.33	175	138	5.08	-21.14	29	45	0.99	55.17
Clerical workers	1859	4003	58.68	115.33	488	386	14.22	-20.90	1258	2227	49.16	77.03
Sales workers	11	17	0.25	54.55	58	82	3.02	41.38	49	110	2.43	124.49
Service workers	24	8	0.12	-66.67	102	141	5.19	38.24	5	4	0.09	-20.00
Skilled crafts and trades workers	9	10	0.15	11.11	587	534	19.67	-9.03	325	584	12.89	79.69
Semi-skilled manual workers	2	5	0.07	150.00	756	806	29.69	6.61	85	215	4.75	152.94
Other manual workers	9	8	0.12	-11.11	323	260	9.58	-19.50	65	125	2.76	92.31
Total number of employees	3053	6822	100.00	123.45	2892	2715	100.00	-6.12	2512	4530	100.00	80.33
Designated Group: Visible minorities Representation in labor force (1991): 9 %												
Upper-level managers	42	77	0.32	83.33	23	33	0.49	43.48	15	41	1.08	173.33
Middle or other managers	2034	4629	19.14	127.58	237	298	4.43	25.74	923	245	6.46	-73.46
Professionals	1795	3107	12.85	73.09	336	303	4.50	-9.82	733	1538	40.55	109.82
Semi-professionals and technicians	221	99	0.41	-55.20	226	269	4.00	19.03	364	382	10.07	4.95
Supervisors	1078	1237	5.11	14.75	145	110	1.63	-24.14	241	41	1.08	-82.99
Foremen / women	4	4	0.02	0.00	165	191	2.84	15.76	49	41	1.08	-16.33
Clerical workers	10732	14909	61.64	38.92	1238	1457	21.65	17.69	3544	542	14.29	-84.71
Sales workers	47	61	0.25	29.79	151	318	4.73	110.60	187	18	0.47	-90.37
Service workers	39	26	0.11	-33.33	315	571	8.49	81.27	20	41	1.08	105.00
Skilled crafts and trades workers	36	25	0.10	-30.56	1336	1476	21.93	10.48	654	253	6.67	-61.31
Semi-skilled manual workers	13	10	0.04	-23.08	789	1074	15.96	36.12	261	103	2.72	-60.54
Other manual workers	21	3	0.01	-85.71	357	629	9.35	76.19	266	574	15.13	115.79
Total number of employees	16062	24187	100.00	50.59	5318	6729	100.00	26.53	7257	3793	100.00	-47.73

Source : Human Resource Development Canada

TABLE 2

Representation of Designated Groups (1991 Census & HALS)

Occupational Groups	Total			Aboriginal Peoples			Persons with Disabilities			Visible Minorities		
	Total	*Male*	*Female*	*Total*	*Male*	*Female*	*Total*	*Male*	*Female*	*Total*	*Male*	*Female*
ALL OCCUPATIONS	15,509,235	8,394,830	7,114,400	462,470	240,260	222,210	977,870	524,525	453,340	1,415,750	751,955	663,795
Upper Level Managers	206,670	155,230	51,435	4,930	3,100	1,825	7,490	5,910	1,580	13,605	10,270	3,335
Middle Level Managers	1,313,590	811,115	502,475	26,205	13,295	12,910	50,840	29,910	20,930	96,500	61,710	34,790
Professionals	2,000,250	905,785	1,094,470	41,435	14,220	27,215	80,290	31,175	49,110	188,465	102,565	85,895
Semi-Professionals	745,500	360,370	385,125	21,795	9,345	12,445	38,560	17,135	21,425	64,935	33,035	31,905
Supervisors	356,575	183,390	173,180	7,570	2,955	4,620	17,570	6,645	10,920	36,965	20,940	16,020
Foremen/Women	332,765	302,545	30,225	7,875	7,030	845	26,505	22,480	4,020	17,010	14,300	2,710
Clerical Workers	2,592,775	535,495	2,057,280	70,015	13,540	56,475	156,210	33,235	122,975	243,780	70,980	172,800
Sales Workers	1,187,865	610,160	577,703	25,755	11,530	14,225	57,810	21,835	35,975	98,475	52,465	46,015
Service Workers	1,570,380	585,475	984,905	64,260	20,015	44,245	106,355	32,120	74,230	186,800	83,585	103,220
Skilled Crafts & Trades	1,075,790	973,305	102,485	28,710	26,360	2,350	69,435	62,480	6,965	57,110	49,040	8,075
Semi-Skilled Manual	1,245,360	1,093,860	151,495	45,025	39,145	5,880	107,850	92,080	15,765	84,855	71,835	13,020
Other Manual Workers	2,109,160	1,483,530	625,625	85,730	62,325	23,405	166,595	121,070	45,525	225,275	130,025	95,245
Occupations Not Stated	772,585	394,590	377,990	33,180	17,410	15,765	92,360	48,450	43,910	101,975	51,205	50,775

TABLE 2 *Continued*

ALL OCCUPATIONS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Upper Level Managers	1.3	1.8	0.7	1.1	1.3	0.8	0.8	1.1	0.3	1.0	1.4	0.5
Middle Level Managers	8.5	9.7	7.1	5.7	5.5	5.8	5.2	5.7	4.6	6.8	8.2	5.2
Professionals	12.9	10.8	15.4	9.0	5.9	12.2	8.2	5.9	10.8	13.3	13.6	12.9
Semi-Professionals	4.8	4.3	5.4	4.7	3.9	5.6	3.9	3.3	4.7	4.6	4.4	4.8
Supervisors	2.3	2.2	2.4	1.6	1.2	2.1	1.8	1.3	2.4	2.6	2.8	2.4
Foremen/Women	2.1	3.6	0.4	1.7	2.9	0.4	2.7	4.3	0.9	1.2	1.9	0.4
Clerical Workers	16.7	6.4	28.9	15.1	5.6	25.4	16.0	6.3	27.1	17.2	9.4	26.0
Sales Workers	7.7	7.3	8.1	5.6	4.8	6.4	5.9	4.2	7.9	7.0	7.0	6.9
Service Workers	10.1	7.0	13.8	13.9	8.3	19.9	10.9	6.1	16.4	13.2	11.1	15.5
Skilled Crafts & Trades	6.9	11.6	1.4	6.2	11.0	1.1	7.1	11.9	1.5	4.0	6.5	1.2
Semi-Skilled Manual	8.0	13.0	2.1	9.7	16.3	2.6	11.0	17.6	3.5	6.0	9.6	2.0
Other Manual Workers	13.6	17.7	8.8	18.5	25.9	10.5	17.0	23.1	10.0	15.9	17.3	14.3
Occupations Not Stated	5.0	4.7	5.3	7.2	7.2	7.1	9.4	9.2	9.7	7.2	6.8	7.6

Source: Canadian Human Rights Commission

employment equity plans will be audited by the Canadian Human Rights Commission; (3) employment equity tribunals under the Canadian Human Rights Act have been empowered to adjudicate conflicts in this area; and (4) employers are held responsible for consulting and collaborating with trade unions on the preparation, implementation, and revision of employment equity plans. For the first time, the new legislation requires employers to report not only quantitative but also qualitative measures taken to implement EE. This will, hopefully, provide a measure of organizational change in implementing EE.

Canadian studies on the effectiveness of EE legislation provide mixed results. The effects of EE are not uniform; they differ across designated groups, occupations, and hierarchical levels. To date, the research has not examined the effect of employment equity legislation within designated groups, such as visible minority groups and persons with disabilities. For instance, visible minorities consist of at least nine different groups; no attempt (except the Mentzer and Fizel 1992 study) has been made to study the differences among these groups. Studies that examine progress by occupational categories and report progress in removing the "glass ceiling" for the designated groups are critical in evaluating progress through EE initiatives. It is clear that some progress has been made and employers are beginning to pay serious attention to the implementation of EE. However, as the studies reviewed indicate, a great deal more rigorous research is needed to come up with conclusive results.

With the new legislation and improvement in economic conditions it is possible that employers and contractors will try to comply more with the above-mentioned initiatives, in part based upon the threat of auditing by the CHRC and in part in recognition of their social and economic responsibilities.

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DISCUSSION

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Though presented under one session title, the papers by Falconer, Horwitz, Jain, and Taggar; Sloane and Mackay; and Jain, Taggar, and Gunderson are highly disparate. Falconer et al. examine race and gender changes in employment, recruitment, promotions, and terminations among a sample of 150 large South African firms (drawn from the Breakwater Monitor sample) over the 1994-96 period. They find modest increases in the incidence of black employment, recruitment, and promotions relative to whites but also find substantial increases in the incidence of terminations among blacks relative to whites (blacks include Africans, coloreds, and Asians). Hence the black-white distribution and composition of employment in large South African firms changed little, if at all, between 1994 and 1996—although they did change in favor of blacks in the 15 largest (or "most progressive") firms in this sample. However, women increased their relative shares of employment, recruitment, and promotions (but not terminations) in large South African firms over this two-year period.

None of these changes are examined statistically by Falconer et al., which is surprising given that the authors present an eight-item employment equity effectiveness index early in their paper. Hence the impact of human capital variables, industry, capital/labor ratio, unionization, etc., on changes in black-white and female-male employment, recruitment, promotions, and terminations in South African firms are not considered in this paper. Moreover, the authors do not address the impact of older or newer employment equity legislation on the distribution and composition of black-white and female-male employment in South Africa, despite the fact that the authors discuss this legislation at considerable length in the opening section of their paper! It would also be helpful if the authors connected their discussion of human resource management models and human resource information systems to changes in black-white and female-male employment patterns in South Africa. In short, they need to specify and test a model of gender and racial employment changes using the (potentially valuable) Breakwater Monitor sample of South African firms.

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By contrast, Sloane and Mackay conduct a series of logistic and ordered probit regression analyses to examine differences in minority-majority and female-male unemployment and occupational distributions in Britain and Northern Ireland during a single year, 1994. The "minorities" treated in this paper include Indians-Chinese, Pakistanis-Bangladeshis, West Indians, blacks, other coloreds and, notably, Catholics (relative to Protestants). In most of their minority-majority and female-male analyses, the authors conclude that human capital characteristics account for the large bulk of unemployment and occupational distribution differentials among these groups, both in Britain and Northern Ireland. The dominant exception appears to be unemployment among other coloreds, which the authors conclude "is due to factors other than education and socioeconomic (status), among which is included labor market discrimination." One of their most provocative conclusions is that equalization of education and occupational levels would eliminate most of the unemployment differentials between Catholics and Protestants in Northern Ireland.

More than half of Sloane and Mackay's paper is devoted to a discussion of recent changes in employment equity legislation in Britain and Northern Ireland, yet these authors do not test for the effects of this legislation on differences in minority-majority or female-male unemployment and occupational distributions. Further, the findings from their statistical analyses must be cautiously regarded given that their empirical specifications include 39 dummy variables, one discrete variable, and one continuous variable! As to the authors' recommendation that the enhancement of human capital and labor market information among minorities in Britain and Northern Ireland will help reduce minority-majority unemployment and occupational distributions differentials, one wonders if their numerous statistical analyses were required to form this recommendation, why the legislation they review does not address these matters, and whether such objectives can be more readily achieved through public policy than through private sector initiatives.

Jain, Taggar, and Gunderson review changes in the occupational composition of minority-majority and female-male employment in Canadian banking, transport, and telecommunications over the 1987-94 period. They find that Aboriginal peoples and "visible" minorities (nonwhites) as well as the disabled continue to be heavily concentrated in clerical jobs, while women's relative share of clerical employment declined and their relative shares of professional and managerial employment increased over the period. But, like Falconer et al., they provide no statistical analyses of the factors influencing changes in (Canadian) minority-majority or female-male occupational employment patterns. Foremost among these "absent"

factors is the set of Canadian employment equity laws which the authors describe in considerable detail. Jain, Taggar, and Gunderson also fail to consider the effects on changing minority-majority and female-male employment patterns of the very different developmental stages of the three industries covered by their data. (In Canada, employment is growing slowly in banking, declining rapidly in transport, and increasing dramatically in telecommunications.) And, as to their observation that minorities and women are underrepresented in senior management ranks in these industries, it is worth noting that in most advanced industrial countries white male Anglo-Saxon Protestant men dominate senior management ranks!

Notable, too, are some aspects of employment equity/affirmative action (AA) not covered by these papers. These include the apparently unique protection (from employment discrimination) of older workers by U.S. legislation, the role of customer discrimination in employment discrimination, the costs to firms of employment equity/AA legislation, the choice of unit of analysis—individual, group, organization, macro-environment—in studying employment equity/AA and changing conceptions of employment equity/AA at the level of the firm. In this last regard, a case can be made for a three-decade long transition from equal employment opportunity to affirmative action to managing workforce diversity/multiculturalism as a competitive advantage for the firm (see Cox 1991; Adler 1991). Since in all of the countries covered by the papers in this symposium the firm continues to make basic hiring decisions, it is important for employment equity/AA researchers to link changes in macro-level legislation to micro or firm-level changes in underlying rationale for pursuing employment equity/AA. Perhaps these issues will be considered in a future IRRA symposium on international/comparative employment equity.

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DISCUSSION

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Recent policy developments in the four countries represented in this symposium and the excellence of the papers indicate that research on the results of policies to address systemic discrimination in employment has matured to the point where it is realistic and timely to propose comparative research on this topic. The need for such research is clear, and the stakes are high. Ontario's experience with the repeal of its Employment Equity Act—arguably the most advanced and effective legislation yet enacted to deal with systemic discrimination in the workplace—shows that in a world of neoconservative backlash, the good research already available is not a shield of invincibility. However, we cannot develop more effective policies and programs against workplace discrimination nor the arguments to defend those policies in political contexts without a foundation of research that is even stronger. We need research that is comparative, broad in scope, longitudinal, and able to identify clear differences between effective, less effective, and ineffective approaches to workplace discrimination. And we need to communicate the results of that research widely—to policy makers, employers, advocates, and the public at large—to ensure that public policy is solidly based.

I would like to comment on three issues addressed in all of the papers, issues which are critical to undertaking comparative analysis of the effectiveness of employment equity and affirmative action policies and their implementation: (1) the need for a clear theoretical understanding of systemic discrimination at the level of the workplace and for valid and appropriate measures, (2) the need for clear understandings of what is meant by "employment equity" and "affirmative action" and how they are distinct, and (3) the need to recognize and address—in our research and policy—the fact that the same policy environment produces different outcomes for the various disadvantaged groups.

The fundamental purpose of employment equity and affirmative action policies is to address systemic or structural discrimination at the level of the workplace. The evidence that women and men who are members of

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racial minorities, aboriginal peoples, persons with disabilities, and white women have experienced systemic discrimination, and still do, would fill a library and require many symposia to discuss. Systemic discrimination is a complex, tangled web of social behaviors—to understand and measure its impacts requires theoretical and methodological approaches that go far beyond the human capital models that still inform much of the research by economists, including contributions we have heard here. Many of the commonly used measures—counts of people and dollars—are readily accessible and inexpensive, and they are a boon to productive academics, but they are very blunt instruments. I don't mean to minimize the importance of research that examines inequality in numerical representation and distribution within the organization and in pay: this essential work needs to be refined and extended and is a foundation of comparative research. For example, the paper on South Africa presents a fairly complex model that includes not simply whether women and minorities are present but where, at what levels, and how they are affected by changing patterns of recruitment, promotion, and termination.

Measures of numerical representation, wage inequality, and occupational segregation, such as those reported in the Canadian, South African, and British papers, are of fundamental importance as indicators of systemic discrimination. But these data need to be supplemented with measures of how employment policies and practices and organizational culture create specific forms of disadvantage for men and women who are racial minorities, white women, aboriginal people, and persons with disabilities. Some models are available in the work of Cynthia Cockburn, David Knights, David Collinson, and Margaret Collinson of the U.K. Developing this kind of research requires interdisciplinary and longitudinal approaches of the kind represented in the South African study.

The paper on Britain focuses on the unemployment rate as one index of disadvantage. This approach may be misleading in that it does not take account of how women continue to experience discrimination. We are told that men's unemployment rate now exceeds women's, but the data were not disaggregated to include measures of part-time and full-time employment—a major dimension of inequality for women, who are increasingly finding their opportunities limited to part-time work. Indeed, OECD data show that the rate of part-time work among women in the U.K. is higher than in Canada and the U.S. Research in the U.S. and Canada has made clear that a large proportion of women who work part-time do so involuntarily, because full-time opportunities are not available to them.

It is a matter of serious concern when scholarly discourse perpetuates misunderstanding, unwarranted assumptions, and lack of clarity about what

equality policies really mean, particularly in a comparative context when it is important to identify the distinctions between the approaches adopted in different countries. The U.S. paper claims, without citing any evidence, that affirmative action amounts to preferential hiring of underrepresented groups. The U.K. paper is not explicit about what it means by affirmative action. In contrast, the papers on South Africa and Canada point out that employment equity is a broad range of approaches that go beyond a focus on numerical representation to include identification and removal of barriers, education, organizational change, setting of goals and timetables by employers, monitoring, and assessment. Both papers illustrate the usefulness of the Jain and Hackett index, which breaks employment equity into its component parts and provides for specific measures relating to each component. If research is to serve the purpose (suggested by this symposium) of assessing the impacts of equality policy in various countries, it is essential to measure the specific program elements and their results.

It is also necessary to investigate the impacts of the enforcement process, since a policy that is not implemented and not enforced can't be expected to be effective. The U.K. paper illustrates this: the onus is on the individual victim of discrimination to complain, with the result that the complaints process is underutilized. Indeed, the purpose of employment equity and affirmative action is to remove the burden of "fixing" systemic discrimination from the shoulders of victims and place it where it belongs—with employers who maintain a workplace in which discrimination is permitted. Both the U.S. and the Canadian papers suggest the importance of taking the framework of enforcement into account in comparative research on the impact of equity policies.

All the papers suggest that employment equity and affirmative action have so far provided the least benefits to the most disadvantaged. Jain et al. note the need to specifically measure policy impacts separately for women and men who are members of racial minorities, aboriginal people, and persons with disabilities, and for white women. Each of these groups faces different barriers and sources of disadvantage, and it is important for comparative research to measure differential policy impacts.

In closing, I would like to suggest that we, as researchers, need to be sure that we are asking relevant questions and drawing appropriate conclusions from our data. The U.S. paper notes that research has "conclusively rejected the claim that affirmative action was ineffective" and "has shown that affirmative action did more or less what it was supposed to do." It also points out that "discrimination against minorities has not disappeared." However, much to my surprise, it goes on to recommend that affirmative action be abandoned. The logic here escapes me. It seems to me that far

from abandoning affirmative action and employment equity, we should fine-tune our research approaches in order to provide the data that would demonstrate how to make equality policy and its implementation effective. The point of the papers we have heard is not that legislated approaches to workplace equality should be abandoned but that they should be strengthened and supplemented with other supportive policies targeted to assist those who are most disadvantaged.

XV. REFEREED PAPERS—LABOR ECONOMICS AND LABOR MARKETS

Effects of Seniority on Academic Salaries: Comparing Estimates

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This study compares estimates of the return to seniority for college and university faculty by the use of models that predict the natural logarithm of annual salary as a function of both linear and quadratic terms for experience and seniority. The coefficient for seniority is expected to be positive, meaning that longer service with one's current employer results in higher pay. However, there is some evidence of a negative return in academia, which could result from new hires receiving salaries that are greater than for comparable existing faculty, a phenomenon often called salary compression.

Previous Studies

Abraham and Farber (1987), Topel (1991), and Topel and Ward (1992) have studied the returns to seniority in the general labor market. Abraham and Farber found a small positive effect for seniority, when the quality of the worker, the job, or the worker-employer match were controlled for. They claimed that other studies which did not use variables for quality had an upward bias for the effect of seniority. Topel, who found a strong positive effect of seniority on earnings, argues that Abraham and Farber's method of measuring quality (which was proxied by a variable for expected completed job tenure) understated the effect of seniority on wage growth. In a study of labor market experiences of young males, Topel and Ward concluded that good matches of worker and job tended to survive and that more durable jobs had higher wage growth.

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Ransom, Hallock, Brown and Woodbury, and Toutkoushian studied the academic labor market. In that market, years since award of terminal degree is a common proxy for experience, while seniority is measured as years with one's current employer.

Ransom (1993) analyzed data from the University of Arizona (a research-class university without collective bargaining) for 1972, 1977, and 1982. For each year, he found statistically significant negative returns to seniority and positive returns to experience. Ransom cites Hoffman (1976), who found a negative return to seniority at the University of Massachusetts/Amherst in 1974.

Ransom also analyzed data from four national surveys conducted from 1969 to 1988. Using the 1969 Carnegie Commission National Survey of Higher Education: Faculty Study, he found a statistically significant negative return to seniority. This was a period of rapid expansion by most colleges and universities, and the resulting large numbers of new faculty hires could have caused salary compression. Using the 1972-1973 American Council on Education survey data, Ransom found a nonsignificant negative coefficient for seniority and a significant positive coefficient for experience. The 1977 Survey of the American Professorate (Institute for Social Inquiry at the University of Connecticut) data had seniority as a categorical variable, and Ransom's results did not reveal any statistically significant relationship between seniority and salary. Using data for college and university faculty from the May 1988 Current Population Survey, Ransom found a nonsignificant negative effect for seniority and a significant large positive effect for age.

While the results were mixed at other types of institutions, Ransom (p. 227) found that seniority did have a significant negative sign when he analyzed a subset consisting of only the research universities in the ACE sample. Ransom attributed the negative seniority coefficient to monopsonistic discrimination by universities, particularly in the case of research universities.

Ransom developed a model in which faculty differ in potential moving costs (which presumably are both financial and psychic). Faculty with higher moving costs (p. 230) "will tend to have high seniority and low pay if the employer is able to discriminate" (i.e., to identify which employees have higher moving costs). Ransom thus posits that research universities act like the stereotypical capitalist employer, exploiting workers by trying to isolate each faculty member and "grind her/him down" to the lowest possible wage.

Hallock (1995), who analyzed 1989 data for UM/Amherst (a research-class university with collective bargaining since the late 1970s), found positive returns to seniority.

Brown and Woodbury (1995) analyzed data for 1981, 1986, and 1990 at Michigan State University (a research-class university without collective

bargaining), finding statistically significant negative returns to seniority for 1986 and 1990.

Toutkoushian (1996) found statistically significant positive returns to seniority for both all faculty and the subset of faculty at research universities, using the 1993 National Center for Education Statistics (NCES) data, which is a national sample of all college and university faculty.

The Model and Data Sets

Human capital theory posits that human capital investments result in increased productivity, which should result in higher earnings. Years of academic experience is generally considered to be a good measure of human capital investment. Therefore, according to human capital theory, salary should be expected to rise with experience. Mortensen (1986:873) offers an alternative explanation that a worker with longer experience is more likely to have found a higher-paying job.

This study analyzes two new data sets. The first consists of the 1991-92 academic year data for the entire (704) full-time faculty in the three professorial ranks at Western Michigan University (a Doctoral I university with collective bargaining). The second consists of a sample (749) which overrepresented females on the faculty at 22 public and private colleges and universities in Illinois in 1993 (Ferber and Loeb).

The natural logarithm of annual salary (Y) was estimated as a function of years of experience since receipt of highest degree (E); years of experience squared (E^2); years of seniority (S); years of seniority squared (S^2); and dichotomous variables for doctoral degree, field, gender, and race.

Stated formally, the model estimated was

$$\text{Ln}(Y) = \beta_0 E + ß_1 E^2 + ß_2 S + ß_3 S^2 + X'ß + \varepsilon,$$

where X is the set of dichotomous variables and ε is an error term.

While seniority is years employed at current college or university, experience had to be defined differently for the two data sets. For the WMU data, experience is total potential experience, defined as the number of years since receipt of highest degree. In the Illinois data, experience is total years of experience with all academic employers.

Results and Discussion

Table 1 presents the results of my analysis of two new data sets, plus the four studies of academia discussed above, therefore allowing the comparison of six estimates of similar models of salary prediction. The first four columns show results of studies of individual universities; the last two columns show results of studies of statewide and national data, respectively.

TABLE 1
Comparisons of Predictions of Salary

	Ransom	Brown & Woodbury	Hallock	Hoffman	Hoffman	Toutkoushian
Data set	Arizona	MSU	UM/Amherst	WMU	Illinois	NCES
Survey year	1982	1990	1989	1991	1993	1993
Collective bargaining	No	No	Yes	Yes	Varies	Varies
Coefficients	β	β	β	β	β	β
Experience	.0439*	.0339*	.0314*	.0052	.0499*	.0081*
	(.0021)	(.0036)	(.0026)	(.0035)	(.0135)	(.001)
Experience squared	-.0006*	-.0042*	-.0381*	4.4 E-05	-6.7 E-04	-6.5 E-05
	(5.3 E-05)	(8.1 E-05)	(.0055)	(9.1 E-05)	(3.9 E-04)	(1.5 E-05)
Seniority	-.0111*	-.0073*	.0123*	.0278*	-.0170	.0035*
	(.0022)	(.0030)	(.0026)	(.0034)	(.0132)	(.001)
Seniority squared	.0001	8.7 E-05	-.0447*	-5.2 E-04*	-3.9 E-04	4.4 E-05
	(5.6 E-05)	(7.6 E-05)	(.0069)	(1.0 E-04)	(4.0 E-04)	(3.3 E-05)
R^2	.64	.58	.54	.63	.28	.46
n	1,197	1,163	1,051	704	749	8,366

Notes:

* significant at p = .01

Standard errors in parentheses.

Ransom's (1993:228) 1982 Arizona estimates show a statistically significant negative return to seniority, as do Brown and Woodbury's 1990 study (1995: Table 4, p. 44)[1] of MSU in 1990. In contrast, Hallock's (1995:655) 1989 UM/Amherst estimates, this study's 1991 WMU results, and Toutkoushian's (1996: Table 4) 1993 NCES estimates all show a statistically significant positive return to seniority.

My study of UM/Amherst 1974 data (Hoffman 1976:197) using only linear terms for age (rather than experience) and seniority found a statistically significant negative return to seniority. Since the model is not exactly comparable and the data are considerably older, these results are not included in Table 1. Note that my study was done for a period before collective bargaining was instituted; Hallock's 1989 study found a statistically significant positive result for a period when collective bargaining had been in effect for about a decade.

Of the four individual institutions studied, only those without collective bargaining (Arizona and MSU) had a statistically significant negative coefficient for seniority. Those with collective bargaining (UM/Amherst and WMU) had a statistically significant positive coefficient for seniority, as did the national (NCES) data set.

Barbezat (1989:443) found that "unionization increased the return to seniority." If variables for the status of collective bargaining were available, it would be interesting to replicate the studies of the Illinois and NCES data to find the effect of collective bargaining.

Salary compression occurs when the coefficient for seniority is reduced or negative. I posit that this could be the result of experienced faculty moving between institutions, which generally will occur only for higher pay. The resulting cases of highly paid but relatively low seniority faculty act to reduce the coefficient for seniority. This phenomenon is likely to occur at institutions that are aggressively hiring to expand or improve or maintain the quality of their faculty. Conversely, the coefficient for seniority is increased by observations of highly paid, high-seniority faculty members, which would occur at institutions with little hiring, due to not expanding or being satisfied with the quality of their faculty. Paying higher wages to more senior faculty helps an institution to retain its experienced faculty, thus avoiding the costs associated with faculty turnover and the possible loss of prestige resulting from the departure of senior faculty members.

Endnote

[1] Some of their data were scaled; the data presented in Table 1 have been normalized for ease of comparison with the other studies.

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Pensions and Shirking: Survey Evidence from Canada

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An important proposition in the literature on pensions as implicit contracts is that firms provide defined-benefit pensions, in part, because of their potential to increase labor productivity (Gustman, Mitchell, and Steinmeier 1994). The employer-sponsored pension performs this role by imposing a wealth loss on employees for either quitting too early or retiring too late. This wealth loss also encourages greater work effort (or discourages shirking) because substandard employee performance carries the risk of discharge and, hence, forfeiture of the right to continued accrual of pension benefits.

Empirical support for the productivity-enhancing role of pensions is mixed. The only direct study, conducted at the industry level of analysis, found no relationship between pension coverage and productivity (Allen and Clark 1987). Among indirect tests, there is overwhelming support that pensions reduce employee quit behavior (Allen, Clark, and McDermed 1993; Gustman and Steinmeier 1993; Ippolito 1994; Luchak in press) and promote early retirement (reviewed, for example, in Luchak in press). The effects of pensions on work effort or shirking are less conclusive. On the one hand, empirical research has found pension-covered employees more likely to perform work that is difficult to monitor (Hutchens 1987) and less likely to be laid off (Allen, Clark, and McDermed 1993) or discharged (Cornwell, Dorsey, and Mehrzad 1991). On the other hand, however, pensions have been found positively related to firm-level absenteeism rates (Allen 1981). More information on the pension-work effort link is needed because the productivity-enhancing features of pensions may be offset by other forms of employee behavior such as poor work effort or shirking. This is especially relevant in long-term contracts where dissatisfied employees tied to the firm but without meaningful dispute resolution alternatives may seek to restore equity to the wage-effort bargain by engaging in neglectful behaviors such as absenteeism or poor work effort (Luchak and Gellatly 1996).

This study examines the role of pensions on the tendency for employees to engage in shirk behavior. A unique data set that links such behavior

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to pension incentives among a group of unionized hospital workers in central Canada is used.

How Pensions Affect Work Effort

Pensions can encourage greater work effort (or discourage shirking) by imposing a wealth or capital loss on early leavers. Most defined-benefit pensions base benefits on a formula that multiplies final earnings by years of pensionable service and a constant. Such formulas penalize early leavers because the pension benefit is fixed in nominal terms at the point of departure rather than at the time of retirement (presuming nominal wages to be increasing). If employees pay for a pension based on expected final earnings, rather than what they are legally entitled to in each year of employment, then a capital loss is sustained. This capital loss is the present discounted value of the difference in pension payments calculated using current earnings and projected preretirement earnings in the benefit formula. This loss is not created by the difference in years of service between the current and preretirement period but rather is caused by the difference in earnings growth over this same time frame. By terminating early, whether by quitting or for poor performance, the individual forgoes the opportunity to receive a pension indexed to wages until retirement. The greater the pension loss, the greater the incentive to work and not shirk.

Data and Methodology

This study links a measure of shirking behavior to the loss in pension benefits employees can expect due to leaving the firm too early. The data come from a 1992 survey of full- and permanent part-time employees of a mid-sized hospital in central Canada. Participation in the survey was voluntary and completed questionnaires were returned via mail. In total, 309 employees returned completed surveys for a response rate of approximately 36%. Descriptive statistics showed the achieved sample was closely representative of the target population. Data analyses, however, had to be based on a smaller subset of 112 full-time, unionized employees because of uncertainty regarding part-timer's plan membership and because wage and salary information was not collected on the research instrument. For this smaller subset, wage and salary information from one of the hospital collective agreements was successfully matched with self-reported job classifications. Most of the employees in the restricted data set were female (71%) and married (66%). Respondents ranged in age between 21 and 62 years, with the average being 37. Average tenure and annual earnings were approximately 8.5 years and $28,500, respectively.

The dependent variable (SHIRK) is a dichotomous variable equal to 1 if respondents reported taking time off from work in the prior year for reasons relating to an unwillingness or lack of motivation to work, 0 otherwise. This measure was derived from a survey question asking respondents to indicate as many reasons as possible for having missed work in the past year. The categories most closely reflecting shirk behavior and for which employees risked disciplinary action for engaging in included absences for the following reasons: difficult or unpleasant work assignment, frustrated with work, lack of personal recognition, mental health day, nice day (too nice to work), and obnoxious and/or abusive patients. These reasons were combined into a single measure because each had insufficient variation on its own to permit separate analyses.

Pension capital loss is calculated in the context of one of Canada's largest pension plans. This plan provides a benefit for life that is based on a varying percentage of employees' highest five consecutive years of salary multiplied by their years of contributory service under the plan. Pension benefits vest after two years and retirees get a guaranteed annual increase equal to three-quarters of the previous year's increase in the consumer price index. Pension capital loss was defined as the present discounted value, based on current service, of the difference in pension payments if one were to remain until age 65 (the stay pension) and terminate immediately (the quit pension). Salary, consumer prices, and nominal interest rates were assumed to grow at annual rates of g = .05, cpi = .03, and i = .06, respectively. Other assumptions were that date of death varied by current age (Statistics Canada 1995), benefits vested from first day of employment, and there was no risk of employee or firm termination. Two measures of pension capital loss, with and without inflation protection (PCL65IP AND PCL65, respectively), are estimated. Each measure is expressed as a ratio of the employee's current annual salary.

Findings

Table 1 gives the empirical results of two separately estimated logistic regressions (appropriate for dichotomous dependent variables) of shirk behavior on pension capital loss, controlling for other factors affecting work effort. Since the logit coefficients by themselves do not directly give the change in probabilities, such changes are calculated and given in the column on change in probabilities.

Looking at the variable means, approximately 21% of the sample admitted shirking in some way through absence from work in the prior year, casting some doubt on the work incentive effects of pensions. Turning to the independent variables, pension capital loss with (PCL65) and without (PCL65IP) indexing represents between one-half and three-quarters of

TABLE 1
Logistic Regression on Shirk Behavior (SHIRK)

	Mean	Logit Coefficient	Wald Statistic	Change in Probability
SHIRK	.214			
Excluding Inflation Protection				
PCL65	.514	-14.630	4.470**	-2.46
CONSTANT		-16.242	2.967*	
MODEL CHI-SQ			17.881**	
Including Inflation Protection				
PCL65IP	.732	-6.855	3.486*	-1.15
CONSTANT		-12.839	2.149	
MODEL CHI-SQ			16.681**	

Notes: N = 112; Other variables (and mean values) included in each equation were gender (71% female), age (37.15 yrs), age squared (1481.33), marital status (66% married), tenure (8.41 yrs), tenure squared (107.11) and annual salary in thousands (28.33); Change in probability is the logit coefficient times P(1-P) where P is the probability of the event occurring in this case, evaluated at mean value of dependent variable; *(**, ***) $p < .10$ (.05, .01)

an employee's current salary, respectively. The former estimate corresponds with recent estimates that the average U.S. worker risks losing approximately one-half of current salary by terminating employment before retirement (Gustman and Steinmeier 1993).

Looking at the regression results, the negative coefficients on both pension capital loss measures confirm expectations that the greater the capital loss, the less likely is a worker to engage in shirk behavior. Evaluated at the mean of the dependent variable, every ten percentage point increase in capital loss as a proportion of current salary reduces the probability of shirking by between 25% and 12%. Moreover, these results were robust over alternative interest rate assumptions (i = 8%, 6% and 4%).

Discussion and Conclusions

Based on logistic regression analyses of 112 full-time, unionized hospital employees in central Canada, pension capital loss is found to reduce the probability of shirk behavior among employees. These results support the implicit contract thesis and the proposition that firms supply pensions, in part, to increase labor productivity.

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Private vs. Public Delivery of Foster Care Services

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Both proponents and critics of privatization emphasize the divergent motives of public and private enterprise. Neoclassical theorists stress the role of private ownership in creating incentives for effective employee monitoring and the efficient use of resources (De Alessi 1980). More recent neoclassical permutations condition efficiency improvements on the level of competitive pressure exerted on private organizations (Vickers and Yarrow 1988) and incentive structures within systems (Bös 1991). It is further recognized that public delivery may be preferable if the objective of a program is to maximize public welfare. In such circumstances, the private sector can be a more efficient allocator of welfare only with significantly superior internal monitoring mechanisms (Vickers and Yarrow 1988).

Critics also stress monitoring, questioning the ability of government to effectively measure the performance of private contractors and ensure both cost effectiveness and acceptable quality (Starr 1987; Smith and Lipsky 1993). Dugger (1993) applies transaction cost theory to this dilemma: with private delivery, government is still responsible for meeting the service needs of citizens, yet protecting service quality often requires detailed contracts and extensive oversight which, paradoxically, jeopardizes the economic feasibility of privatization. Compromises between cost and quality must therefore be made. A tangential view expressed by political scientists warns of the loss of democratic control over public resources (Sullivan 1987).

Thus while nearly all agree that public and private organizations behave differently, opinions diverge on whether the shift from public to private delivery benefits society. One side maintains that improvements in efficiency generally outweigh the allocative and transactional costs of privatization. Challengers claim that private contracting creates distance between service providers and democratic institutional controls, leading to an overall erosion in the value of public services.

Using data gathered from Milwaukee County, Wisconsin, this paper compares private and public foster care agency performance with respect

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to the duration of time children spend in temporary placements.[1] While the contracting out of child care services has been discussed (Wedel et al. 1979; Smith and Lipsky 1993), empirical analysis is scarce. Addressing this void is important, given the dubious history of private child protection services (Costin et al. 1996) and the prospects for increased privatization in Milwaukee County and elsewhere (Emspak et al. 1996; Calicchia and Ginsburg 1996).

Analysis

The Department of Human Services (DHS) in Milwaukee County contracts with five private, nonprofit agencies for over 10% of their foster care caseload. Like DHS, these agencies are responsible for locating the child in a safe, suitable foster home and providing a full range of services directed at family reunification.

Sampling

Child cases were randomly selected from a computerized database that DHS initiated in 1987. The approximate population of private cases was 750, compared to 4,900 for the public sector. To ensure adequate representation from the private agencies, the sample was stratified by sector. Several cases were unobtainable and a few were unusable due to incomplete information, yet there is no reason to suspect that the missing cases were systematically related to the measures. The total number of complete cases is 439, with 78 that begin in private sector care, 361 in the public sector. In addition, 79 cases switched sectors during the foster care period, 74 to private agencies, and 5 to DHS.

Measures

The outcome measure was based upon the compliance requirements of the Federal Child Abuse Prevention and Treatment Act. Specific objectives include reducing the unnecessary placement of children outside their homes, fostering the timely reunification of families and assuring that a permanent living arrangement is secured for children who are unable to remain with their families.[2] This was operationalized by the duration of time the child lives in foster care and modeled as a continuous hazard function. Foster care service was considered closed when the child was placed in the permanent custody of a parent or guardian. Censored cases include those where the child was still in foster care when the observation period ended, where the child became ineligible for services due to age (18 years), or where the child died.

To draw a fair comparison between the sectors, it was important to control for case complexity. Conceptually, this was broken down to three dimensions: (1) the characteristics and needs of the child, (2) the needs and behavior of the primary parent, (3) family structure. The measures for these three dimensions are described below.

Three child attributes were obtained: age (AGE), sex (FEMALE; Yes = 1) and ethnicity. Ethnicity was collapsed into a single category: non-Hispanic white or other (MINORITY; Yes = 1). Age is the age of the child (in days) when they are placed in custody of the present agency. An indicator variable for the existence of exceptional payments made to foster care households (EXCEPT) was used to control for the needs of the child. These dollars are earmarked for children with documented mental and physical disabilities who are at high risk for hospitalization and residential treatment.

Proxies for the behavior and needs of the parent were found in the court-ordered conditions for return. The child detention process requires the preparation of a court letter stipulating the conditions which must be met by the parent before the child can return home. These conditions become part of the court order, directed to the primary parent, and forms a basis by which to judge the progress of the parent. Unwillingness to comply is grounds for the termination of parental rights.

Two sets of measures were derived from the court conditions. The first was a count of the number of conditions (COND), based on the presumption that the number of conditions will be positively related to parent case complexity. The second was a search for conditions which identify specific parent behaviors. These conditions, in no particular order, are (1) attend parenting classes (PCLASS), (2) comply with a psychological examination (PEXAM), (3) attend psychological therapy (PTHRPY), (4) obtain new housing (HOUSE), (5) have visits be supervised or suspended (SVISIT), (6) comply with an alcohol and drug abuse evaluation (AODA), (7) submit to random urine screens (URINE), and (8) follow the rules of probation (PROB).

The structure of the family may affect case complexity. Single parent households and households with many children are likely to have different needs than households with more than one adult and few children. Thus the number of adults (ADLTS) and siblings (SIBS) serviced by the agency are included as controls. Further, in some cases children cannot be returned to their natural parents (e.g., death of parent). The variable (NPAR) indicates where placement with the natural parent is expected.

Finally, an indicator variable was created for sector (PRIVATE; Yes = 1) and for cases which switched between sectors during the foster care period (SWITCH; Yes = 1). The switched variable is intended to capture transaction

inefficiencies as well as case characteristics. Means, standard deviations, and t-tests for these variables are presented in Table 1.

Results

The t-tests for "foster care duration" and "percent of cases closed" in Table 1 provide early evidence that the duration of time a child spends in foster care is longer for the private sector. However, the statistically significant difference in the means of many of the independent variables suggests that cases are not allocated randomly across the sectors and that some form of parametric analysis is needed.

Figure 1 plots the Kaplan-Meier survival estimates for private and public foster care cases, illustrating a greater probability of remaining in temporary care for cases managed by the private sector. A log rank test finds a significant difference between the sectors ($chi^2 = 13.11$; $P > chi^2 = 0.0003$), even when switched cases are controlled for ($chi^2 = 19.32$; $P > chi^2 = 0.0000$).

The baseline hazard for permanent placement declines over time, suggesting the appropriateness of Weibull regression models. Table 2 provides regression results for full and reduced models, grouped by the child, parent, and family structure dimensions described earlier. Output is generated in log time form. Likelihood ratio tests for the reduced models (equations 1, 2, and 3) indicate that the marginal explanatory power of the family structure variables are statistically significant ($P > 0.0213$), while the child and parent dimensions are not, even though several individual variables within these dimensions are (i.e., MINORITY, PEXAM, SVISIT).

The coefficient for sector (PRIVATE) is positive and statistically significant across all models, indicating that children are in foster care longer with private agencies, controlling for case differences. Estimates range from 322% (equation 4) to 356% (equation 3) greater foster care duration for cases managed by private agencies. This effect is reduced when cases with foster care durations of less than six and twelve months are excluded from the analysis, but in every instance the sector coefficient is positive and significant, yielding duration estimates for private foster care which are at least twice that of DHS. Similar results are found when cases which were closed due to child age or death are omitted from the censored pool.

Cases which switched sectors (SWITCH) also have significantly longer foster care durations. Estimates range from 297% (equation 4) to 343% (equation 1) greater duration in foster care for children whose cases are transferred across sectors. Interaction effects between sector (PRIVATE) and transferred cases (SWITCH) are insignificant.

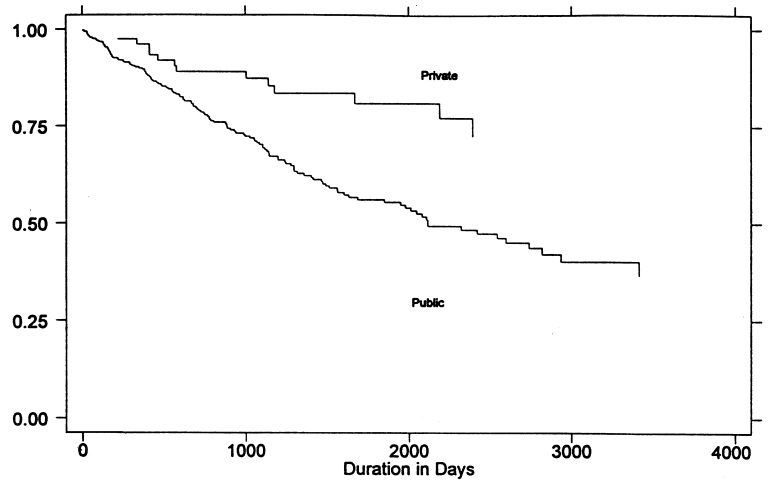
TABLE 1

Variable Means, Standard Deviations, and t Statistics

Variables and Abbreviations	Total Sample (n = 439)	Public Sector (n = 361)	Private Sector (n = 78)	t-value
Foster care duration	1277.28 (1006.47)	1207.482 (962.017)	1600.321 (1143.10)	-2.82656***
Percent of cases closed	.3416856 (.474816)	.3767313 (.485239)	.1794872 (.386244)	3.89469***
Sector (Private = 1) PRIVATE	.1776765 (.382676)			
Switched case (Yes = 1) SWITCH	.1799544 (.384588)	.2049861 (.404252)	.0641026 (.246521)	4.01409***
Ethnicity (Minority = 1) MINORITY	.7790433 (.415365)	.7867036 (.410204)	.7435897 (.439477)	.794832
Sex (Female = 1) FEMALE	.4783599 (.500101)	.4736842 (0.50)	.50 (.503236)	-.419284
Age (in days) AGE	1948.002 (1664.77)	2017.557 (1636.99)	1626.09 (1763.154)	1.80038*
Exceptional pay (Yes = 1) EXCEPT	.2027335 (.402494)	.1606648 (.367731)	.3974359 (.492535)	-4.01092***
Court conditions COND	8.920273 (2.62766)	9.01108 (2.66560)	8.50 (2.41613)	1.66233*
Parenting classes PCLASS	.5558087 (.497443)	.5623269 (.496789)	.525641 (.502574)	.585804
Psychological exam PEXAM	.5740319 (.495053)	.567867 (.496060)	.6025641 (.492535)	-.56347
Psychological Therapy PTHRPY	.2414579 (.428456)	.199446 (.400139)	.4358974 (.499083)	-3.92081***
New housing HOUSE	.0410023 (.198522)	.0304709 (.172118)	.0897436 (.287664)	-1.75322*
Supervised visits SVISIT	.5079727 (.500507)	.5290859 (.499846)	.4102564 (.495064)	1.91904*
Alcohol or drugs AODA	.6583144 (.474816)	.6952909 (.460923)	.4871795 (.503071)	3.36139***
Urine screens URINE	.5056948 (.500538)	.5457064 (.498598)	.3205128 (.469694)	3.79725***
Probationary rules PROB	.1708428 (.376801)	.1855956 (.389320)	.1025641 (.305352)	2.06597**
Number of adults ADLTS	1.159453 (.413357)	1.130194 (.360867)	1.294872 (.583518)	-2.39545**
Number of siblings SIBS	(2.927107 (2.07379)	3.088643 (2.07174)	2.179487 (1.92552)	3.72958***
Natural parent available NPAR	.9430524 (.232007)	.9556787 (.206094)	.8846154 (.321553)	1.87057*

* P < 0.10 ** P < 0.05 *** P < 0.01 for two-tailed tests

FIGURE 1
Kaplain-Meier Survival Estimates, by Sector



Discussion

Proponents of privatization argue that private providers are better able to increase quality and efficiency of service delivery. On the contrary, the findings here suggest that the private foster care arrangement in Milwaukee County leads to extended foster care durations, an outcome which is incompatible with the goals of federal child care policy.

One of the chief issues in privatizing public services is properly anticipating the response by private providers to a contractual arrangement. While "market forces" can discipline the behavior of providers, such market mechanisms do not exist for many public services because clients do not purchase services directly. Instead, society pressures providers through democratic institutions, where quality is checked by political voice of service beneficiaries. The recipients of child protection, however, are largely a disenfranchised minority with little political leverage.

Absent market or political pressures, private contractors have few incentives to enhance services. A more rational response is to cut expenses by reducing client contact and service quality, meeting only the minimum requirements necessary to reasonably guarantee contract renewal. Moreover, when contracts stipulate a specific caseload level, as they do in Milwaukee County, there are disincentives to devote resources to reunifying families because a child in a stable foster home setting represents a "low-cost"

TABLE 2

Weibull Survival Analysis

	Equation 1	Equation 2	Equation 3	Equation 4
PRIVATE	1.217274***	1.193222***	1.268753***	1.170521***
	(.2999303)	(.314297)	(.3202134)	(.322065)
SWITCH	1.231206***	1.18048***	1.122683***	1.090133***
	(.2915695)	(.3019426)	(.2981629)	(.2924)
MINORITY		.3337331*	.2454537	.2706621
		(.1994921)	(.2118371)	(.216247)
FEMALE		.0231218	-.0030836	-.0714214
		(.1707837)	(.1705023)	(.170145)
AGE		-2.88E-06	6.97E-06	-3.75E-06
		(.0000554)	(.0000559)	(.000056)
EXCEPT		.2428122	.3049178	.2809318
		(.239118)	(.2417548)	(.235385)
COND			-.01643	-.002711
			(.0372289)	(.036924)
PCLASS			-.0783898	-.1078103
			(.1777748)	(.174972)
PEXAM			.2968262*	.2373237
			(.1801857)	(.175526)
PTHRPY			-.178424	-.1510966
			(.219629)	(.216990)
HOUSE			-.0705053	-.1577054
			(.446555)	(.444101)
SVISIT			.495245***	.4221112***
			(.1867326)	(.183145)
AODA			.3600255	.4558834
			(.2866017)	(.282645)
URINE			-.4011106	-.4121319
			(.2648396)	(.260154)
PROB			.2203513	.2564266
			(.2442032)	(.243953)
ADLTS				-.0243551
				(.203997)
SIBS				-.0612357
				(.040342)
NPAR				-1.352188**
				(.601517)
Constant	7.874258***	7.572661***	7.3776***	8.821251***
	(.1018719)	(.2233806)	(.3912551)	(.765379)
Log likelihood	-414.74346	-413.08762	-406.22873	-401.38064
Chi^2 Value	3.31	13.72	9.70	
Prob > chi^2	0.5071	0.1327	0.0213	

* P < 0.10 ** P < 0.05 *** P < 0.01

case. Child turnover is costly due to the intensive amount of staff time needed to nurture a new relationship between a foster family and a child. Thus without effective public monitoring, private providers eschew their responsibility for reunifying families, and foster care durations increase. These results support this scenario.

Endnotes

[1] Other comparative dimensions, such as cost and rates of recidivism, were addressed by Frank Emspak, Roland Zullo, and Susan J. Rose (1996). In that analysis, the direct labor cost per case was higher in the private sector, and there was no statistically significant difference in recidivism between the sectors.

[2] The goal of reducing the duration of foster care was recently emphasized by President Clinton in a December 14, 1996, radio address. For text, see: *Presidential Directive on Adoption from Foster Care*. Presswire. December 16, 1996. Online. Nexis. M2 Communications Ltd.

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DISCUSSION

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These papers have a refreshing common theme. All of them examine questions that have long been of interest to labor economists, but rather than spinning the Current Population Survey tapes one more time, the authors have gone to the trouble to collect the data dictated by the models being tested.

Hoffman's paper examines returns to seniority in academe, a subject that is rigorously debated in every faculty lounge on every campus. In theory, an upward sloping tenure profile is required in any institution that wants its faculty to invest in specific human capital. On a campus with unique courses or one where service, academic advising, and research collaboration are highly valued, such investments should be of paramount importance.

The observed distribution of salaries and seniority is generated by a number of institutional factors. Salaries for professors who are denied tenure are not observed, probably making profiles appear steeper than they really are. Decisions to make or match outside offers create further messy selection issues.

Most hiring is done at the entry level, where salaries are competitive. Senior faculty who are not highly visible in their professions face a monopsony situation which can lead to salary compression or even salary inversion. Universities are increasingly relying on appointments outside the tenure track, where salaries are lower, salary profiles are flat, but relationships can be long-term. In these situations, returns to seniority can be zero or negative.

An important contribution of Hoffman's study is its focus on the role of collective bargaining, which has ambiguous effects on returns to seniority. Unions might dampen profiles to take wages out of competition, or they might steepen profiles as a reflection of the dominance of senior workers in union politics. Looking at all of the results in Table 1, there is no clear pattern. Returns to seniority are positive at two institutions covered by collective bargaining, negative at two institutions that are not covered. But they

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also are positive in Toutkoushian's study of a national sample of research universities, which generally tend not to be covered by collective bargaining.

One restriction that Hoffman imposes on her model is that returns to seniority are the same for men and women. That restriction is soundly rejected in most studies. Since women are oversampled in the Illinois data set, Hoffman would do well to see how this is affecting her results.

Luchak's paper brings together two of my favorite subjects—pensions and absenteeism. Defined-benefit pensions penalize anyone who leaves a firm before they are eligible for benefits. This discourages turnover and shirking. Measuring shirking is a tricky matter—you could design a household survey to question playing FreeCell or checking out ESPNET SportZone during working hours, but you would not know what to make of the answers.

The nice thing about absenteeism is that it can be objectively measured (but my colleagues in applied psychology disagree about how). The not-so-nice thing about absenteeism is that it is generated by a variety of situations—illness, child care, inadequate transportation, and the like. In my studies, I never tried to discriminate between reported causes of absenteeism. From an employer's perspective, it does not matter if the worker is absent because of illness or absent because it is Monday. The employer's goal is to create a set of policies and incentives that optimize attendance.

The economist's goal is to gauge the impact of such policies and incentives on behavior. Luchak does a nice job of calculating pension incentives facing each worker in his sample. To measure absenteeism, he relies on workers' responses to a survey asking them whether they took days off for reasons reflecting unwillingness to work. This fails to capture the phenomenon that dedicated employees show up in all but the most extreme situations, whereas unmotivated employees call in sick shortly after taking their first throat lozenge. It would have been interesting to use data from the employer on days missed for all reasons; my guess is that the results would be even stronger.

Luchak finds that absenteeism is lowest among workers facing the greatest potential loss of pension benefits (in case of dismissal). He controls for salary, age, tenure, marital status, and the like, which leads me to believe that the effect is real. Gustman and Steinmeier have argued that capital loss is just a proxy for wage premia, but I see no way to test their model over Luchak's data.

XVI. 1996 ANNUAL STUDENT WRITING COMPETITION

The European Works Councils Directive: A First Step or the Final Word?

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On September 22, 1994, the eleven countries signatory to the Community Charter of the Fundamental Social Rights of Workers unanimously adopted the Directive on European Works Councils. The directive requires the states to incorporate into legislation provisions requiring European Works Councils (EWCs), or some process for informing and consulting employees, at firms employing more than 1000 workers in member states of the European Community and more than 150 employees in at least two of the countries.

Specifically, the Works Councils Directive calls on management of multinational corporations to meet with a "special negotiating body" of between 3 and 17 individuals representing their employees for the purpose of determining the scope, composition, and functions of EWCs at their respective workplaces, as well as the term of office of works councilors. Alternatively, in lieu of an EWC, the parties have the option of negotiating a process by which management will provide employees information and consult with them. Should they choose, the "special negotiating body" can decide to forego implementing an EWC or an information and consultation process with a two-thirds vote. The central management of any corporation falling within the parameters requiring the establishment of an EWC is responsible for doing so, either at their own initiative or at the written request of at least 100 employees.

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Should negotiation between the parties fail to produce a mutually acceptable EWC blueprint, the Directive on European Works Councils includes minimum requirements for which the corporations are responsible. They must meet with the EWC, comprised of between 3 and 30 European Works Councilors, at least once a year and share information regarding the progress of the business. The members of the EWC are then responsible for disseminating that information among employees. In addition, the corporations must inform and consult the EWC regarding exceptional circumstances affecting employees, such as imminent relocations or closures. Finally, the directive stipulates that the firm fund the EWC and the information and consultation sessions.

A final provision of the Directive on European Works Councils, which is proving itself a strong motivator for early implementation, allows any established EWC at the time the directive becomes effective to remain intact, regardless of whether or not it fulfills all the provisions of the directive.

European Works Councils: Two Decades in the Making

Mandatory employee participation on a Europeanwide basis was first proposed in the 1972 Fifth Directive. The commission, originally the Commission of the European Communities but renamed the European Commission upon passage of the Treaty on European Union, proposed that all European corporations with more than 500 employees be required to establish a dual management structure, including worker representation on both a board of management and a supervisory board.

Since that time, European employee representation has been a recurring issue. In 1975 a Green Paper on employee participation and company structure in the European Community, while restating the commission's preference for a dual management structure as outlined in the Fifth Directive, shifted focus to an array of substantive issues over which EWCs should have consultative and participative rights. A more modest approach was introduced in 1980 as the Vredeling Proposal which focused on the dissemination of information, much like the Directive on European Works Councils. The Single European Act, adopted in 1986 and in force since July 1, 1987, did not include any specific proposals but reaffirmed that the European Community "shall endeavor to develop the dialogue between management and labor at [the] European level." Three years later, the Community Charter of the Fundamental Social Rights of Workers was adopted. It included language encouraging employees be informed, consulted, and allowed to participate in corporate decision making. However, the action program requiring implementation was tabled.

The piece of legislation most responsible for bringing the Directive on European Works Councils to fruition was signed in Maastricht in 1992. The Treaty on European Union includes an annex containing a Protocol and Agreement on Social Policy, commonly referred to as the Social Chapter. While calling for the "information and consultation of workers," the Social Chapter is most significant for its inclusion of two other provisions. The first allows legislation affecting five categories of social policy be passed by a qualified majority of 44 out of 66 delegates to the council from the 11 participating states (previous agreement had been reached allowing the U.K. to exclude itself from negotiating the terms of, voting on, or implementing the Social Chapter). The second significant change permits the commission to consult the European "social partners" on the direction of proposed social policy and allow the parties to determine the content of the proposal through a "social dialogue." The "social partners" are given nine months in which to reach a collectively bargained solution, but the commission may grant an extension at the request of the parties.

With the road to implementation cleared, on March 17, 1994, three European "social partners," the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Trade Union Congress (ETUC), and the European Center of Public Enterprises (CEEP), began negotiating provisions for the formation of EWCs. The ETUC arrived at the bargaining table with three criteria they considered fundamental to any agreement. First, absolute recognition of employees' rights to information and consultation at the transnational level was vital. Second, the onus for implementation and responsibility for negotiating arrangements must fall on management. Finally, a fallback standard of firms' minimum obligations would have to be outlined for cases in which negotiations between firms and their employees do not result in agreement on how to implement their works council (Gold and Hall 1994).

As the nine-month negotiating period wound down, the bargainers from UNICE conceded those major points and an agreement was reached. While the ETUC ratified the agreement, the Executive Committee of UNICE rejected it. Shortly thereafter, the commission introduced the agreement as the Directive on European Works Councils and it was adopted by the Council of the European Union (ILO 1995).

Implementation

The Directive on European Works Councils is applicable to approximately 880 employers. Of those, 800 have their headquarters in Europe. Of the remaining 80 employers affected, one-half are headquartered in the United States, and another 20 in Japan (ILO 1995). The U.S. corporations

operate nearly 200 establishments under the jurisdiction of the directive (*European Industrial Relations Review* 1995c).

Three hundred of the multinational firms covered by the directive are British-based (ILO 1995). This creates an odd situation. British firms will be responsible for providing information and consultation to thousands of workers on the European mainland, while operating under no such obligation in their home country. This has led to the suggestion that the British, by opting out, acted myopically and simply prevented themselves from contributing to the directive they must observe (Towers 1992).

Negotiation of EWCs has progressed at a furious pace since the directive was adopted. Firms are scrambling to establish information and consultation bodies before the implementation date of September 22, 1996, so that they may be subject to the grandfather clause which allows corporations to maintain apparatus established before the directive took effect.

In 1991 only 18 of Europe's largest multinational manufacturing firms had established or were planning the creation of EWCs. Seventeen of those corporations were headquartered in countries with legislation requiring works councils or some other form of industrial democracy. No works councils existed in any subsidiary of a company based in the United States or Britain. Of the 18, only the works council at Volkswagen was entitled to consultation. All the others were limited to receiving information. All the EWCs were terminable at the will of the employer (Streeck and Vitols 1995).

By May 1995 approximately 54 EWCs had been negotiated voluntarily across Europe (*European Industrial Relations Review* 1995a). That number grew to 80 by the end of 1995 and is expected to climb rapidly in 1996. The European Metalworkers' Federation (EMF) claims to be involved in negotiations with 40 different firms in the engineering sector alone (*European Industrial Relations Review* 1996).

Ironically, at the forefront of this drive are multinational corporations based in the United Kingdom. British Telecom, the engineering firm GKN, the chemical company ICI, Pilkington Glass, and financial institutions Barclays and NatWest, to name just a few, have all formed EWCs or are in the process of negotiating their creation. None of the U.K.-based firms have excluded their British employees from participation (*European Industrial Relations Review* 1995a, 1996).

Firms based outside of Europe have also jumped on the bandwagon. The Australian firm TNT became the first employer in the transportation sector to form an EWC (*European Industrial Relations Review* 1995d). Japanese firms Honda and Panasonic/Matsushita have established EWCs (though the legitimacy of Honda's is being contested) (*European Industrial*

Relations Review 1996). U.S.-based firms Hewlett-Packard, Ingersoll-Rand, Xerox, and General Motors are at different stages in the formation of works councils. British workers are being included in the EWCs unanimously, with General Motors Europe reserving the right "to revert to the actual territorial scope of the EU directive . . . if we find that the U.K. element is too cumbersome and meddlesome" (*European Industrial Relations Review* 1995a, 1995c).

Significantly, though the Directive on European Works Councils does not specifically mention labor unions as parties to the negotiation of EWCs or as participants in their operation, unions have been signatory to the majority of voluntarily negotiated works councils thus far and are in some way involved in a large percentage of the rest (*European Industrial Relations Review* 1995a).

EWCs: Industrial Relations Convergence or Reaffirmation of National Models?

Since first proposed in 1972, both supporters and opponents have debated whether EWCs constitute a convergence of industrial relations systems toward a single European model. The Directive on European Works Council is subject to that same controversy.

Convergence theorists view the directive as a first step toward Europeanwide collective bargaining. During his tenure as commission president, Jacques Delors envisioned a "social dialogue leading to Community-wide framework agreements which employers and unions could refer during collective negotiations." Georges Spyropoulos (1990) adds, "The idea must be to develop collective labor relations at [the] European level resulting in contractual obligations without which it will be impossible to speak of a social Europe."

Others less ideological recognize forces which they claim will inevitably result in convergence. The members of the European Community already share issues of concern, such as strikes and productivity, which draw them together. Furthermore, as market convergence continues (which is the very purpose of the formation of a European Community) and firms increase the number of countries in which they operate, their institutional policies will gradually encourage a convergence of industrial relations systems (Teague 1993).

Those who reject the notion of convergence focus their arguments on the concept of subsidiarity, which states that the European Community will only act when group objectives are most effectively accomplished when legislated at the European level. Otherwise, the European Community will leave regulation to the member states (Due et al. 1991). Wolfgang Streeck

(1994) bemoans subsidiarity as a prevailing attitude that national regulations exist by right, and where no regulation exists it, too, is by economic reason or by right.

Those more sympathetic to the idea of subsidiarity reflect on vast differences in nations' industrial relations models. The Roman-German model includes the state as an actor with a central role in industrial relations. Countries operating with such systems (Belgium, France, Germany, Greece, Italy, Luxembourg, Netherlands) generally enforce corporatist labor market legislation regulating the employment relationship.

On the other side of the spectrum is the Anglo-Irish model of industrial relations characterized by a dedication to voluntarism. These systems minimize the role of the state and explain the reluctance of the U.K. to participate in social legislation.

A third model is typical of Nordic countries, particularly Denmark. These systems provide a limited role for the state in industrial relations, based on collective bargaining agreements which provide the institutional framework for the industrial relations system (Due et al. 1991).

Besides the vast differences in industrial relation models, European Community members' industrial relations systems diverge in other ways that make convergence unlikely. The level of unionization varies greatly. Collective bargaining in some nations is highly centralized, while in other countries it takes place primarily at the workplace. Strike behaviors and laws regulating them are unique from country to country. Finally, the ideological framework of industrial relations differs greatly among European nations (Teague 1993).

Others skeptical that the Directive on European Works Councils signifies the imminent convergence of industrial relations systems into a European model find little and weak institutional mechanisms to support that role. They point to the directive itself, the European Community legal structure, and the role of the "social partners" as wholly insufficient to accomplish convergence.

The directive itself is limited. First, it is a directive, not a regulation. Implementation is left to member states to apply in accordance with their own traditions and practices (Hall 1992), and no effort is made to ensure parity between schemes (Due et al. 1991). As Streeck (1994) complains, "It is not much more than resigned recognition of the astonishing capacity of the Community's member states to preserve their national 'sovereignty' far beyond its useful historical life." Second, it does not apply to strictly national corporations. Third, it leaves all details regarding the nature, functions, and powers of the works councils for the parties to negotiate over (Hall 1992). Finally, the EWCs are not given a broad mandate. While they

are entitled to information and consultation, the directive explicitly states that the establishment of EWCs "shall not affect the prerogatives of central management" (Gold and Hall 1994).

Even if it were not for the limitations included in the directive, the European Community legal structure is currently insufficient to converge industrial relations systems. For convergence to occur, some reference point toward which member nations' labor law would be expected to move has to be established. This is unlikely to occur in the near future (Teague 1993).

A similar situation limits the roles of the "social partners," who would have to become major actors in European-level industrial relations and collective bargaining for continental convergence to occur. Currently, neither the ETUC nor UNICE have any authority over their member organizations, and little apparent support exists for a transfer of power to the European level. In fact, as confederations of confederations, many of their affiliates are powerless to cede authority if they so desired (Teague 1993).

Conclusions

The Directive on European Works Councils represents a significant step toward establishing a European Community as opposed to a European "free trade" zone. While the directive may be criticized for only providing employees the rights to information and consultation regarding decisions ultimately of management prerogative without guaranteeing them a participation or codetermination role, it reflects a vision noticeably absent in other trade agreements. By comparison, both the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT) specifically avoid harmonizing the rights of workers across national boundaries.

In fact, the limitations of the directive may be better interpreted as a strategic decision of proponents of stronger legislation guaranteeing workers' rights than a victory for supporters of unchallenged management prerogative. With information and consultation rights secured, debate can now turn toward issues of greater employee involvement in firm decision making. Buoyed by the successful passage of the directive on EWCs, the commission is considering consulting the "social partners" on implementation of the commission's Fifth Directive outlining proposals for mandatory dual corporate structure (*European Industrial Relations Review* 1995b).

This provision of the Treaty on European Union allowing the commission to delegate to the "social partners" the responsibility for negotiating the content of legislative initiatives is significant in itself. By implementing this alternative, the nations of the European Community have raised the

stature and importance of the ETUC, UNICE, and CEEP as industrial relations actors at the European level and delegated to them authority greater than that granted by their affiliates.

From a historical perspective, this development is unique. As Lowell Turner (1996) observes, "in democratic societies at least . . . social movements give rise to organization and institutionalization." The European Community has, in effect, created and empowered a labor organization lacking a cross-national grass roots movement of support. If the ETUC successfully nurtures cross-national collaboration between its affiliates and proves competent at igniting Europeanwide mass protest in support of group initiatives, a powerful European labor movement could be created top down, and cross-national collective bargaining could become reality.

Such a development would not only have to overcome historical precedent. More tangible issues serve as road blocks to the formation of a continental labor movement. Besides the obvious employer hostility to such an idea, different national models of employee representation and labor law create substantial logistical obstacles reflecting greater ideological divides between European countries than enthusiasts recognize.

The legislation each of the eleven members of the European Community passes to comply with the directive will likely reflect the different approaches they take to industrial relations. Germany already mandates works councils with greater powers than are included in the directive. Norway recently passed implementing legislation providing for a two-year limit on negotiations between management and "special negotiating bodies" (*European Industrial Relations Review* 1996), although the directive calls for three. The role reserved for organized labor in the negotiations of EWCs and whether unions are guaranteed representation, an issue on which the directive is conspicuously silent, will likely vary across Europe. Already, questions are being raised as to what redress a party might have should it wish to challenge the legitimacy of an agreement (*European Industrial Relations Review* 1995a), such as that reached at Honda. Parameters nations establish defining "seriously prejudicial" information that companies may withhold from works councils could become a contentious issue as well.

Exasperating the institutional differences between EWCs established by national governments will be the individual variations resulting from negotiated settlements. Works councils within national borders may prove incompatible in terms of their structure and scope.

If the mass Europeanwide collective bargaining some envision as the culmination of a social Europe is to be realized, it will not happen in the near future. Both the commission and the council have clearly determined

that the most successful strategy toward harmonizing employment standards and avoiding social dumping lies in the guaranteeing of workers rights, not the imposition uniform standards. Furthermore, none of the European-level actors are prepared or have the authority to collectively bargain.

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XVII. POSTER SESSION I

Mediation of Employment Disputes in the U.S. Postal Service

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Procedural justice theory suggests participants will be more satisfied with a dispute process over which they have more control, in which they are treated with respect, and through which they have an opportunity to present their cases.

Exit surveys assessing participant satisfaction were collected from participants in mediation of disputes concerning discrimination in employment and from participants in the traditional counseling process for discrimination complaints at the USPS. Participants are significantly more satisfied with the mediation process and the outcome of mediation than they are with the Equal Employment Opportunity (EEO) complaint process and outcome of EEO counseling. Data collection is ongoing.

Managerial Approaches to Collective Bargaining in New Zealand

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This paper reports empirical longitudinal data on management negotiators' perceptions of success in bargaining (and conditions and behaviors associated with perceived success in bargaining) in the deregulated environment for employment contract formation that has prevailed in New Zealand since 1991. Managerial negotiation and nonnegotiation strategies identified in earlier research are found to have become routinized by 1996, with some indications of a hardening of bargaining strategies in the unionized negotiation sector. A retest of bargaining behaviors and perceptions, following Peterson and Tracy's 1970s model, shows some corresponding hardening of bargaining behaviors and attitudes among management negotiators.

Employee Responses to Two Pay Policy Changes: An Organizational Justice Perspective

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This study examined employee responses to two pay policy changes occurring in organizations today—the introduction of variable pay and the review and adjustment of the internal pay structures of organizations. Using the Referent Cognitions Theory of organizational justice and a policy-capturing methodology, it was found that employees of a small high technology firm responded more negatively to a variable pay policy change than to a relatively minor change to the internal pay structure of an organization. High cash payouts resulting from the pay policy changes evoked more positive responses than low cash payouts. Opportunities for management to review the policies in the future and information that the pay policies were legitimate in the wider business environment served to reduce resentment to the pay policy changes. No process by outcome interactions suggested by the justice literature significantly affected employee responses to the pay policies.

The New Zealand Employment Tribunal: A Review of the First Few Years

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This paper discusses the form and functioning of the New Zealand Employment Tribunal, a mediation and adjudication (arbitration) institution created by the New Zealand Employment Contracts Act 1991. The act is seen to require all employment contracts to incorporate contract interpretation and personal grievance procedures as set forth in the act. A profile of the tribunal's role and workload in rights disputes is presented and illustrated with an analysis of case decisions made by it in 1993 and 1994. The data are a part of a developing data bank of case decisions of the tribunal since its inception in 1991. The paper shows that a high percentage of the tribunal's caseload involves personal grievances (and most especially grievances alleging unfair dismissal), briefly sets forth the law relating to unfair dismissal, and shows employee success rates for the various types of cases adjudicated by the tribunal as one measure of the tribunal's functioning in its first few years.

Tenure and Productivity: Does Gender Make a Difference?

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This study addresses the impact of academic productivity on tenure, also examining the effect of gender. Gender differences in tenure achievement, academic productivity, and human capital investment are addressed. Models examined include gender as a moderator of productivity's impact on both the achievement of tenure and human capital investments. We utilize a sample of Minnesota and Wisconsin public and private university full-time faculty to answer these questions.

The information presented in this study describes a picture of differing productivity levels, questionable rates of return on human capital investments, as well as strikingly different perceptions of the structures and processes that govern the work life of university faculty. Relationships between external productivity and human capital investment by institution provide surprising results, with significant gender differences.

Preemployment Consequences of Job Search and Likelihood of Offer Acceptance

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Data from 380 unemployed males participating in the 1986 National Longitudinal Youth Survey were used to examine preemployment consequences of job search and offer acceptances. Though informal methods are generally more likely to result in employment, these methods did not generate more offers or higher salary offers than formal methods, even controlling for individual, occupational, and labor market characteristics.

The likelihood of accepting the only offer received was significantly greater for job seekers using prescreening methods, even controlling for the size of the job offer. This was not true, however, among job seekers receiving more than one offer.

The New Workplace: The Impact of Employee Involvement on the National Labor Relations Act

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This study looks at the impact that employee involvement programs have had in the workplace as companies seek to decentralize their authority and power structures and empower their employees. Such delegation has led to conflicts with the National Labor Relations Act. A brief synopsis looks at the two primary areas at issue: (1) the interpretation of employee work groups as "management-dominated organizations," currently prohibited under Section 8(a)(2) of the act, and (2) the defining of certain positions as "supervisory" in nature due to the exercise of authority and independent judgment in the interest of the employer, which under Section 2(11) would make an individual occupying that position ineligible to participate in a bargaining unit. The study itself surveys a group of university professors and a group of nurses, assessing how they perceive their role in the organization: either more closely aligned with "management" or with "rank and file." Results indicate that both groups tend to identify more so with the latter, which may be interpreted as invalidating judicial rulings in these areas.

Union Participation among American Blue-Collar Workers

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Research on union participation was fairly common during the 1980s; however, little is known about the determinants of American blue-collar workers' participation in their unions. In this study, a model of the processes and behaviors of union participation was tested with data from two U.S. union locals (N=234 and N=165) affiliated with the same international union. Structural equation modeling procedures were used to differentiate the influence of various predictors and intervening variables on union participation. Some of the results failed to support hypothesized relationships, while others were very consistent with the proposed model. A common model accounted for more variance in union participation in Sample l (Midwest) than in Sample 2 (Southeast).

Learning from Steeltech: Building a Union Base in the Community

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In the late 1980s the United Electrical Workers attempted to develop non-NLRB strategies for organizing the plastics industry. This culminated in a massive organizing drive in Erie, Pennsylvania, in 1989. Although unsuccessful, UE's plastics organizing raises important questions integral to any industrywide or geographically based campaign. These questions include the problems of organizing to scale, sustaining momentum across individual workplaces, identifying leadership, and translating community activism into concrete support for union efforts. The organizing is also one of the few union efforts to attempt to apply non-NLRB strategies in the industrial as opposed to the service sector.

This paper begins the process of analyzing the UE plastics campaign to mine these questions. The author also draws on comparisons between UE's Erie campaign and a previous in-depth case study of another UE campaign, the first contract campaign at Steeltech Mfg. in Milwaukee, Wisconsin.

Determinants of State Legislation of Mandatory Bargaining Laws in the Public Sector: An Event History Analysis

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This study investigates determinants of state legislation granting public sector collective bargaining rights during the period of 1965-1991. Recent research on this topic rely on public choice theory, yet these were cross-sectional studies which ignored the timing of legislation. This present study explicitly incorporates a temporal dimension by using event history analysis. The results show that general attitude toward collective bargaining is the most important determinant of the legislation. The hazard rates in states with "right-to-work" laws and in southern states are much lower than in other states. In addition, the hazard rate increases as income increases. Contrary to the previous findings, however, except for the extent of private sector employers' opposition toward collective bargaining, other factors (such as size of public employee groups, their average earnings, urbanization, private sector unionization rate, the contagion effect, and the existence of limited bargaining rights laws) have little effect on state legislation.

Investigating a University Academic Complaint Process

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Most colleges and universities have policies aimed at resolving student grievances associated with academic matters. At the same time, there is no research that investigates the degree to which students are aware of these policies or use them. Furthermore, we do not know the links between perceptions of unfair treatment and academic satisfaction. Using a unique data set, the author learns that students at a medium-sized university are generally unaware of complaint processes. About 55% of the sample express perceptions of unfairness in the classroom. These same students also cite lower overall academic satisfaction. A research agenda is put forth to further investigate links between unfair treatment and overall satisfaction, academic or otherwise, for undergraduate students.

The Effect of Financial Factors on the Union-Nonunion Faculty Compensation Differential

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This study investigates whether the financial status of an institution of higher education affects the faculty compensation differential between union and nonunion schools. Using panel data on 1011 public universities, the investigation indicates that financial factors have a statistically significant effect on faculty compensation. However, the union-nonunion differential is only increased very slightly, by about .1%. Separate regressions by union status that control for heterogeneity indicate that unionized public sector schools pay approximately 7.7% more than their nonunionized counterparts.

Publishing while Perishing: Industrial Relations Research Patterns and Productivity in an Era of Decline

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The proportion of those employed in departments where industrial relations (IR) is a focal activity is declining. Where colleagues lack a good understanding of publishing opportunities and standards within IR, the consequences for performance evaluation and faculty career paths can be profound. Examining the publication patterns of IR and management faculty in 33 journals over eight years, we explore fragmentation within management journals and discuss its implications for IR faculty. Our analysis suggests that IR faculty publish as frequently as those from many management subfields but that IR faculty would benefit from efforts to integrate the field with management generally.

Does "The Message" Affect Recruitment and Organization Outcomes?

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The role of an organization's applicant attraction strategy is important to its ability to acquire personnel with the skills and motivation required for operations. The general focus of this study was the linkage between an organization's business strategy and the content of its recruitment message. Survey data provided by 73 computer industry firms were used to test hypotheses regarding difference emphases in recruitment messages. Statistical analysis revealed limited support for hypothesized links between business strategy and focus of recruitment messages, as well as support for a hypothesized relationship between strategic orientation-message focus match and organizational performance as measured by average annual sales.

Worktime and Numerical Flexibility: Emerging Dynamic Relationships and Its Causes

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New patterns of adjustment in average weekly hours and employment are emerging in U.S. manufacturing. Impulse responses of employment and hours to a shock in output are generated from vector autoregression (VAR) estimates. After a structural breakpoint in 1979, the extent of hours adjustment increased relative to employment adjustment in virtually all two-digit SIC industries analyzed. This indicates growing worktime flexibility but decreased numerical flexibility. The increase in hours-intensive labor input adjustment is only weakly attributable to growth in fixed employment costs associated with job-skill upgrading and employee benefits, although its timing appears closely associated with greater foreign trade.

Training Costs versus Efficiency Wages

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When a firm employs both entrant and insider workers and labor cost involves training cost and quitting risk as well as wage cost, a discrepancy exists between the firm's chosen wage and the Solow efficiency wage. Quitting risk on the part of insiders translates ex-ante training expenditure into a sort of implicit (endogenous) "user costs" of human capital and inserts a hedge between the firm's chosen wage and the Solow efficiency wage. With the Solow's efficiency wage condition as a norm, the hedge exhibits an asymmetric wage-effort relationship: entrants are "underpaid" and "overemployed" whereas insiders are "overpaid" and "underemployed." In addition, it is also shown that the moderate (exogenous) turnover cost narrows the inefficiency gap in wages for both types of workers, thus reducing the quitting-caused distortions in wages and employment.

XVIII. POSTER SESSION II

Layoff and Employment Guarantee Announcements: How Do Shareholders Respond?

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Event study methodology was used to assess the effects of both layoff and employment guarantee announcements on shareholder returns. The *Wall Street Journal* was used to identify 368 firms that announced layoffs and 13 firms that announced employment guarantees in 1993 or 1994. The results were used to test the validity of the four hypotheses: labor-cost, efficiency, industrial-relation-effect, and signalling-effect. The results show that both layoff announcements and employment guarantee announcements induced a decrease in the shareholder returns of the firms that made the announcements. Each of the above four models received partial supports.

The Effects of Employee Participation Plans on "Employee Claims-Reporting" Moral Hazard in the Workers' Compensation System

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Not all claims for workers' compensation are truthful. This is "employee claims-reporting" moral hazard; we investigate whether it is affected by

employee participation in decision making and financial returns. We analyze all 3,659 workers' compensation claims filed in 1992 with the State of Minnesota in 334 firms that responded to a survey of HR practices, focusing on denial for liability (untruthful claims are more likely to be denied). Employee participation in financial returns in self-insured firms reduces the chance of claims being denied for liability.

Regional Labor Market Conditions and the Self-Employment Decision

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This paper investigates the relationship between regional labor market conditions and individual self-employment. Using logit analysis and a sample of men extracted from the PSID data set, we find empirical evidence that overall, self-employment behavior increases when regional labor market conditions worsen. Further results suggest that this relationship is strongest in the northeastern and western regions of the U.S. and weakest in the north central and southern regions. The results provide empirical evidence that not all regions are able to generate marginal rewards to self-employment relative to wage employment given a decline in the labor market.

Employment Growth and Decline: Does Union Status Matter?

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Few studies have investigated the relationship between union status and employment growth and decline, particularly in Canada. The present study examines this issue using data from 711 employers in Atlantic Canada. Just under 49% of employers reported that employment had declined over the period 1992 to 1994, about 19% of employers indicated employment had not changed, and slightly less than one-third responded that employment had increased. Employment growth was lower among unionized employers when considering both union status and percentage of the workforce unionized. In addition, lower employment growth was more common among older organizations.

Scanlon Plans and Section 8(a)(2) of the NLRA: Productivity in the Balance

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Innovative programs that include participation have been found illegal in certain situations. Overcoming the obstacle of retaining the element of participation and remaining in compliance with the law is a challenge facing many businesses. Tests have been developed to examine Sections 2(5) and 8(a)(2) of the NLRA. When Scanlon plans are examined, they frequently fail. This implies that they would be seen as labor organizations, unlawfully controlled by the employer. Solutions to this finding include changing the programs or changing the legislation. Neither seems adequate, since changing the plans negates their benefits, and calls for legislative change have gone unanswered.

Union Use of Corporate Campaign Tactics during Strikes

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This paper uses data from a survey of representatives of unions involved in work stoppages occurring during the 1984-88 period to examine the use of corporate campaign tactics. Our empirical analysis profiles the incidence of using different corporate campaign tactics and the number of tactics used. We find that corporate campaigns are used in 30% to 86% of stoppages, depending on the definition of corporate campaign adopted. In addition, we develop and test simple models of the determinants of the union's decision to use individual campaign tactics and the determinants of the number of corporate campaign tactics used.

A Time-Series Analysis of the Effect of Unionization on Health and Safety

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While collective bargaining power has declined during the last twenty years, little attention has focused on the efficacy of the conceptualization of unionization used in econometric research. Researchers have traditionally used one of two measures: (1) a dummy variable equal to 1 if the workplace is unionized, or (2) a variable equal to the per cent of workers organized at the workplace. Both of these measures are based on the assumption that any two workplaces organized by the same union are equally efficacious in the attainment of a bargaining objective—a presumptuous and untenable assumption to make in the collective bargaining climate of the 1990s.

The primary purpose of this paper is to develop a new measure of union efficacy—the index of union strength—to be used in empirical work. There are three components of the index: (1) whether the workplace is unionized, (2) whether the firm is owned by a conglomerate, and (3) the local economic conditions confronting the firm. While not a perfect measure, the index is able to capture the efficacy of the union at the local level, unlike the two traditional measures of unionization. The index is also based on tenets well-established in industrial relations.

A secondary objective is to test the effect of the United Mine Workers of America (UMWA) on health and safety conditions in the coal industry, utilizing the index of union strength. Results indicate that the UMWA has no significant effect on health and safety, thus supporting a substantial body of literature; however, the UMWA utilizes its voice to obtain more inspections from the Mine Safety and Health Administration.

The Wage Structure by Occupation, Skill Level, and Skill Type in the U.S. and Canada: 1981-91

RAKESH KOCHHAR
Joel Popkin and Company

This paper develops and analyzes data for the U.S. and Canada on wages by occupations classified by skill type and skill level. Skill type—a dimension indicative of specific types of human capital—is found to have been an important influence on the rate of growth in wages during the

1980s. Wage structures in the U.S. and Canada are also shown to have changed in opposing fashion in the recent past. This suggests that indigenous institutions in each country played an important role, and the paper points out key differences between the U.S. and Canada in this regard.

The Strategies of Labor: Implications for the Implementation of Workplace Change

ANN C. FROST
University of Western Ontario

Considerable variation exists in the degree to which firms are able to implement "transformed" models of workplace organization. Previous work has focused on the role of technology, institutional structures, or managerial strategy to explain such variation. The empirical evidence, however, often fits uncomfortably with these arguments. Using data from two matched pairs of plants in the integrated steel industry, this paper argues for the importance of labor strategy in shaping the outcomes of workplace restructuring. Rather than conceptualize labor strategy along the traditional "adversarial-cooperative" continuum, this paper develops a five-part typology of labor strategies that are then linked to important workplace outcomes.

Intrinsic Individual Differences between Small Business Owners and Salaried Employees

JACK L. HOWARD
Western Illinois University

KABIR C. SEN
Lamar University

Career choices individuals make influence their lives tremendously. Among the options when choosing among careers is that of owning one's own business. Owning a business can take the form of being a small business entrepreneur. However, many individuals might find the risk associated with being a small business owner too high. As a result, some individuals choose careers where they are employed as salaried professionals. The present study examines differences these two groups have in terms of independence and risk taking propensity. The findings are discussed and future directions for research are provided.

Developing a Solution for Organizational Workplace Violence

JACK L. HOWARD AND RICHARD B. VOSS
Western Illinois University

The major emphasis of the present paper is to develop an approach for dealing with workplace violence based upon risk management principles. By utilizing risk management principles, several benefits should result. First, organizations can better identify various workplace violence threats. Second, organizations can then categorize threats according to the severity of the threat as well as the probability of the threat's occurrence. Third, this will allow human resource professionals to focus on possible remedies for workplace violence. Finally, organizations can prioritize the threats.

XIX. ANNUAL REPORTS

IRRA EXECUTIVE BOARD MEETING
May 3, 1996
Henry VIII Hotel, St. Louis, Missouri

The meeting was called to order at 7:30 a.m. by President Hoyt Wheeler. Present were Past President Walt Gershenfeld, President-Elect Francine Blau, and Board members Eileen Appelbaum, Janet Conti (also Chapter Advisory Committee Chair), Roger Dahl, Bernard DeLury, Morley Gunderson, Rachel Hendrickson (also Newsletter and Dialogues Editor), Joan Ilivicky, Bruce Kaufman, and Craig Olson. Also present were Paula Voos, Editor-in-Chief, and Kay Hutchison, Administrator and Managing Editor. Absent were Board members Katharine Abraham, Peter Cappelli, Ruth Milkman, Robert Pleasure, and Jay Siegel; and David Zimmerman, Secretary-Treasurer.

Guests at the meeting were F. Donal O'Brien, Finance and Membership Committee, Chair; Tom Kochan and Maggie Jacobsen, 50th Anniversary Committee, Co-chairs; Marlene Heyser, Program Committee Co-Vice Chair; and Edward Harrick, Gateway IRRA Chapter.

President Wheeler expressed the Association's thanks to Ed Harrick, Spring Meeting Program Chair, and the Gateway IRRA for their exceptional work in arranging the IRRA Spring Meeting, May 1-4, 1996.

Approval of the Minutes. The minutes of the January 4 and 7, 1996, Executive Board meetings in San Francisco were approved as distributed.

Publications Committee Report. Walt Gershenfeld, member of the IRRA Publications Committee, reported on behalf of Trevor Bain, Committee Chair. The committee has drafted a preliminary report and analysis of the options and feasibility for launching a new, practitioner-oriented publication. While the Association is committed to a new publication, decisions regarding format, targeted audience, frequency, and content remain to be made. The financial impact of a new publication will be a determinant of many of the issues. The committee's report presented two options: (1) an annual issue or (2) a quarterly publication. While one issue could be

affordable under current Association resources, a quarterly publication could only be funded through cuts to current publications, such as the Winter and Spring Proceedings, or a significant dues increase.

A discussion ensued over the possibility of shifting currently published material (with the exception of the annual research volume and new practitioner publication) to an on-line or unedited, xeroxed format. The new venture would have considerable start-up costs which could coincide with higher expenditures for the 50th anniversary celebration. Concern was expressed for the editorial content of the new publication. Other matters raised included staffing implications, the possibility of marketing our papers to other associations, the importance of a high-quality publication, and new initiatives underway (student awards, longer papers, on-line abstracts, audio-taped sessions).

Association publications must serve the needs of both academics and practitioners. While most find the idea of a new publication appealing, it is difficult to assess the response to an unseen product or to potential changes in current publications. There was consensus that input is needed from the membership regarding its publications preferences. Specifically, we need to know the value of the *Proceedings* to those who publish in it, as well as those who receive it. The Board agreed that a sample survey of the membership would provide guidance to the Publications Committee as they proceed in their analysis. Craig Olson volunteered to undertake a telephone survey to provide such information.

As further guidance to the committee, the Board held a straw poll with respect to the preferred frequency of such a new publication. There was little support for limiting the publication to once a year, with most members preferring the publication be issued two, three, or four times a year.

Report of the National Chapter Advisory Committee. Chair Janet Conti reported that 20 IRRA chapters had representatives in attendance at the chapter meeting in San Francisco. The NCAC Board met May 2, 1996, and discussed ways to assist struggling chapters. The NCAC Board recommended the addition of several new members to its ranks and the inactivation of four defunct local chapters.

As a cost savings measure, the NCAC Board indicated a willingness to have the *Chapter Profiles* published every other year with a directory update of chapter presidents and contacts in the interim year. The NCAC Board has scheduled a meeting in New York City in October to continue its work on updating the *Chapter Handbook* and other issues.

Conti noted that NCAC organized two workshops for chapter members at the St. Louis meeting. One session, entitled "Developing IRRA Chapter Visibility," featured Board members Rachel Hendrickson and Joan Ilivicky.

The second addressed chapter leadership development and was presented by Ed Pereles and Richard Horn.

Report of the Program Committee. President Wheeler reported that the New Orleans program for January 1997 was nearing completion and that the meeting would include several new features. Several sessions are organized in a roundtable format, and there will be two Distinguished Panels of leading practitioners arranged by Jim Auerbach, Ken McLennan, and Dick Davis. The meeting will also offer audiotapes of all sessions for sale at the meeting and after to the entire membership.

Members discussed the need to involve outstanding practitioners in meeting sessions. It was moved and unanimously approved that the Association develop a program to recognize outstanding practitioners at one or more of the annual meetings (spring and/or winter) by having those practitioners featured in a meeting session.

Report of the Editorial Committee. Editor-in-Chief Paula Voos reported that the 1996 research volume, *Public Sector Employment Relations in an Age of Transformation* (edited by Dale Belman, Morley Gunderson, and Douglas Hyatt) is in the editing stage at the national office. The 1997 research volume, to be edited by Bruce Kaufman, is entitled *Government Regulation of the Employment Relationship* and should be available in fall 1997.

With respect to the 1998 volume, the committee recommends selection of a proposal by Terry Thomason, John Burton, Jr., and Doug Hyatt on disability in the workplace. The Board accepted the committee's recommendation.

Report of the 50th Anniversary Committee. Thomas Kochan, Committee Co-chair, reported that the committee had met during the St. Louis meeting and that plans are underway for a 50th anniversary video and publication. The focus of the commemoration will be to look to the future with less emphasis on the past. Charter members have already been contacted and will be involved in the anniversary observance. It is anticipated that anniversary activities will be held at the 1997 Spring Meeting in New York City as well as at the 50th Annual Meeting in Chicago in January, 1998.

Report on the IRRA Sections. President Wheeler reported that the seven IRRA sections are developing in interesting and different ways. All of the sections held meetings in San Francisco and all submitted proposals for the program in New Orleans. The sections also assumed responsibility for refereeing the individual paper competition in their respective areas for the New Orleans meeting. Reports from each of the section conveners were attached to the Board agenda.

Other Reports. The Board received the written report of the Statistics Committee and considered the communication from Daniel Mitchell

which urged the IRRA to oppose the elimination of certain data collection by BLS. Members discussed the prospect of BNA picking up the relevant data gathering and the Association's constitutional restraint against taking a partisan position on questions of policy. It was noted that the IRRA list-server is available for the posting of individual member views and that the issue has appeared on the IRRA discussion group.

Report of the Administrator. Kay Hutchison reported that the Board has approved the submission of the Board-approved bylaws changes to the membership on a mail ballot to be held in conjunction with the regular election of directors to be concluded on July 15, 1996.

Financial reports and membership statistics accompanied the Board agenda. The final 1995 audit disclosed a surplus of $31,000 for the year, largely attributable to strong sales of the 1994 research volume edited by Paula Voos and the absence of a 1995 spring meeting and its cost. She announced staffing cuts over the summer months to further conserve financial resources as the 50th anniversary celebration approaches.

Hutchison distributed copies of the IRRA Student Award announcement which has been mailed to all program and center directors. Bruce Kaufman has offered to distribute the announcement to all attendees at the teaching conference to be held in Atlanta in June. Francine Blau noted the absence of "labor markets" from the areas defined as "industrial relations." Subsequent announcements will include that specification. Blau also asked members to suggest nominees for committee appointments to be made during her 1997 presidential term in order to involve new persons in Association activities.

1997 Nominating Committee. President Wheeler announced his choices for the 1997 Nominating Committee that will meet in New Orleans. Subsequent to discussion, the Board approved the composition of the committee.

The meeting adjourned at 9:50 p.m.

IRRA EXECUTIVE BOARD MEETING

January 2, 1997

Fairmont Hotel, New Orleans

The meeting was called to order at 7:00 p.m. by President Hoyt Wheeler. Present were Past President Walter Gershenfeld, President-Elect Francine Blau, and Board members Katharine Abraham, Eileen Appelbaum, Peter Cappelli, Janet Conti (also Chapter Advisory Committee Chair), Morley

Gunderson (also Program Committee Co-vice Chair), Rachel Hendrickson (also Newsletter and Dialogues Editor), Joan Ilivicky, Bruce Kaufman, Ruth Milkman, Craig Olson, Robert Pleasure, Jay Siegel, and incoming Board Members David Lipsky, John Serumgard, Jan Sunoo, and Gregory Woodhead. Also present were Don O'Brien, 1997 President-Elect (also Membership and Finance Chair); David Zimmerman, Secretary-Treasurer; Paula Voos, Editor-in-Chief; Kay Hutchison, Administrator and Managing Editor; and Lynn Case of the national office. Absent were Board members Roger Dahl, Bernard DeLury, and incoming Board member Dorothy Sue Cobble.

Guests at the meeting were: Maggie Jacobsen and Tom Kochan, 50th Anniversary Committee Co-Chairs; George Strauss, Nominating Committee, Chair; Trevor Bain, Publications Committee, Chair; Harish Jain, Awards Committee, Chair; Marlene Heyser, Program Committee, Co-vice Chair; and Susan Wright, 50th Anniversary Committee.

Approval of Minutes. The minutes of the May 3, 1996, Executive Board meeting in St. Louis were approved as distributed.

Report of the 50th Anniversary Committee. Tom Kochan, Committee Co-chair, reported on the plans for the anniversary observance. An anniversary video is under development, and a film crew has been interviewing IRRA members for the video during the meetings in New Orleans. The video will be made available to educational institutions, IRRA chapters, and others. The video will celebrate the IRRA's past and analyze the future world of work. The IRRA anniversary publication will be entitled *Perspectives on Work* and will be published as a three-issue magazine scheduled for April, August, and December 1997. Susan Wright, MIT, is coordinating the publication, and some manuscripts have already been received. The publication is being cosponsored by MIT, the Wharton School, and IRRA, with additional funding from the International Industrial Relations Association (IIRA). The magazine could provide the foundation for establishment of an ongoing IRRA practitioner-oriented publication. 1997 IRRA members will receive the magazine as part of their membership benefits. The publication will be used as a recruitment tool among IRRA chapters. Efforts are underway among IRRA individual and organizational members to raise funds to support the video and magazine. Kochan urged members to submit suggestions for potential authors and indicated that the magazine would include letters to the editors and articles by practitioners and students. Maggie Jacobsen, Committee Co-chair, encouraged members to get behind the anniversary effort. The anniversary publication is an opportunity to generate interest in the Association particularly among practitioners. The Board thanked Kochan, Susan Wright, and Peter Cappelli for their roles in making the anniversary magazine a reality.

Kochan further reported on plans to observe the 50th anniversary at the Annual Meeting in Chicago, January 3-5, 1998. Several sessions will feature topics relevant to the milestone, and a roundtable session of the Association's founders/past presidents will be held in conjunction with the anniversary video. It was noted that the Association has three cabinet-level past presidents (John Dunlop, Ray Marshall, and George Schultz) who should be recognized during the celebration. Members suggested that other notables important to our history should also be included and specifically mentioned the contributions of Richard Lester and Milton Derber.

Report of the Nominating Committee. George Strauss, Chair of the 1997 Nominating Committee, reported that the committee's unanimous choice for 1998 President-Elect is Thomas Kochan. He indicated that the committee was cognizant of the rotation principle in the bylaws but felt this was a crucial time for the Association which required strong leadership to bridge the interests of academics and practitioners, labor and management, and the various academic disciplines. Labor members of the Board expressed their concern that the rotation was not being observed. Strauss stated that the committee felt compelled not to follow mechanical rotation but recommended that a labor candidate be strongly considered in the following year.

Strauss announced the committee's selections for candidates for Executive Board for terms beginning in 1998. Discussion ensued over the desirability of the Nominating Committee being more proactive in identifying appropriate candidates and ways in which chapters could be more active in the submission of names of potential candidates.

Motion was made to accept the committee's recommendations as if in compliance with all requirements of the constitution and bylaws, seconded, and unanimously approved.

Report of the National Chapter Advisory Committee (NCAC). Janet Conti, NCAC Chair, announced LaVonne Ritter and Harish Jain as new appointees to the NCAC Board and Joan Ilivicky as Vice Chair. The Board met in October in New York to work on revision of the *Chapter Handbook*.

Conti discussed a proposal to extend associate member status to chapter members. Under the proposal chapter members would receive IRRA *Newsletters* and *Dialogues* with a modest increase in chapter dues to the national and partial funding by the national. The intent of the proposal is to increase the visibility of the national at the chapter level. Members discussed whether associate member status would be an inducement or disincentive to becoming a full member of the national. It was proposed that the national assume the increased printing costs and chapter fees cover the costs of postage and handling. The key mailing to chapter members should

be the invitation to attend the annual meeting. It was suggested that the effort be made on a two-year trial basis. Under the proposal, chapter membership dues would continue to be prorated on the basis of size and afford a dues rebate according to the percentage of chapter members who are members of the national. The chapter fee structure would change as follows:

Chapter Membership	Present Fee	Proposed Fee
25 or less	$ 65	$ 75
26 to 50	105	125
51 to 100	200	225
101 to 200	225	250
Over 200	300	325

% of Chapter Members Who Belong to National	Rebate
Under 25%	None
26% to 50%	25%
51% to 75%	60%
76% and over	100%

Motion was made and carried to adopt the proposal without the designation of associate status and for the national office to designate complimentary mailings of the *Newsletter* and *Dialogues* to select chapters on a trial basis.

Report of the Mission Committee. David Lipsky, Chair of the Mission Committee, reported that the committee had reviewed the mission statement and invited the input of members through the IRRA *Newsletter* and on-line throughout 1996. He presented the revised mission statement as drafted by the committee.

Board members discussed the proposed revisions and offered several changes. Motions were made and passed to include "labor studies" and to revise wording to specify "and related fields including their international and comparative dimensions in all pertinent disciplines—" in subsection (a). The committee's draft continues the prohibition against the Association taking partisan positions and generated much discussion. It was noted that other professional associations take positions on policy issues but that those groups have a commonality of purpose and direction. The IRRA is a group with diverse interests and agendas. Several members expressed concern that their organizations would not permit their participation in an organization taking partisan positions. Elimination of the nonpartisan language, in the views of several Board members, would subject the IRRA to endless

debate on a variety of issues and usurp time and resources from what we do now. The attraction of IRRA meetings, according to one member, is that there is no agenda.

Members discussed a proposal put forward by member Roy Adams on the IRRA listserver to drop the nonpartisan language of subsection (e) and replace it with five core labor standards. It was noted that the Mission Committee had considered the core standard proposal and others and had decided on the language now before the Board. Members proposed the insertion of "income security" and "political science" into subsection (a). Both motions passed.

Concern was expressed that subsections (a), (b), and (c) stress academic research rather than policy and practice which are equally important to the field. It was noted that at the time the IRRA was formed industrial relations associations were management organizations and the word "research" was included in the Association's name to distinguish it from those organizations. Members acknowledged the need to encourage the involvement of practitioners and the Association's role in encouraging learning. Motion to amend subsection (b) to drop language pertaining to "research" and to incorporate "the promotion of full discussion, exchange of ideas, and learning on all aspects of . . . among all constituencies—academic, labor, management, neutral, and public" failed.

It was moved, seconded to adopt the Mission Statement as drafted by the Mission Committee and amended by the Board. Motion passed.

The approved language reads:

2. PURPOSE. The purposes of this Association are:
   a. the encouragement of research on all aspects of labor, employment, and the workplace, including employer and employee organization, employment and labor relations, employment and labor law, human resources, labor markets, income security, and related fields, including their international and comparative dimensions in all pertinent disciplines—industrial relations, history, economics, political science, psychology, sociology, law, management, labor studies, and others;
   b. the promotion of full discussion and the exchange of ideas between and among all constituencies—academic, labor, management, neutral, and public—on the planning, development, conduct, and results of research in these fields and the usefulness and application of the research to practice and policy;
   c. the dissemination to researchers, practitioners, and the public, through various meetings, materials and publications, of research

results, discussions and exchanges, and ideas of interest to the membership.

d. the improvement of the materials and methods of instruction in these fields;

e. The Association will assume no partisan position on questions of policy in these fields, nor will it commit its members to any position on such questions.

Report of the Awards Committee. Harish Jain, Chair of the 1996 Awards Committee, and committee members Cheryl Maranto and Tom O'Brien selected the following recipients from among the nominees for three annual IRRA awards: Sarosh Kuruvilla—Outstanding Young Scholar in the area of comparative and international labor and employment relations research; John Paul MacDuffie—Outstanding Young Scholar for research of an industrial relations/employment problem of national significance; and the Oregon IRRA Chapter—Young Professional Award for the chapter's outstanding reactivation and contribution to area labor-management relations.

Jain conveyed the committee's recommendation that additional categories of awards be established in subsequent years in the areas of "Best Doctoral Thesis" and "Best Annual Meeting Paper." Motion was made and passed to continue the three current awards in 1997. Motion to establish the two new awards was tabled until the spring meeting in New York City at which time rules for current student writing award will be reviewed.

Report of the Publications Committee. Trevor Bain, Chair of the Publications Committee, reported that the first issue of the 50th anniversary magazine, *Perspectives on Work,* will be published in April 1997. It is anticipated that the new magazine will be an effective tool for the promotion of national membership among IRRA chapters. Craig Olson has offered to construct a survey instrument to be used in conjunction with *Perspectives* to determine the level of interest among practitioners for continuation of such a publication after our anniversary year. Issues to be addressed include the financial viability of the publication as well as editorial oversight. The consensus is that if the publication is continued, it will have to be published more than once a year. There are insufficient funds in the publications budget to sustain the new magazine.

One option given initial consideration involves the value and cost of the *Annual Meetings Proceedings.* Last fall Olson conducted a phone survey of academic members to ascertain the value of the *Proceedings* to them. Sixty-eight percent of all academic respondents thought publication in the *Proceedings* was "very important" or "somewhat important" for the

advancement of junior faculty. It is possible that in the future some of the *Proceedings* papers could be published in the Association magazine, or electronically, or in an unedited format.

President-Elect Blau stated that it is premature to eliminate the *Proceedings* and she believes most academics want the *Proceedings* to continue. The trend toward electronic publication was cited with greater utilization of on-line publications among practitioners as well as academics.

Report of the Program Committee. Francine Blau, President-Elect and Chair of the 50th Annual Meeting, reported that the Program Committee had reviewed a large number of proposals for the meetings to be held in Chicago, January 2-5, 1998. The meetings will include sessions organized by the seven IRRA sections and will feature a number of special sessions and events to commemorate the 50th anniversary. Blau noted that proposals for the Chicago meeting were submitted extremely late and that the committee was considering timing of submissions. The possibility of using teleconferencing was suggested to expedite the work of Association committees.

Members discussed the importance of involving practitioners on the program. It was acknowledged that practitioners seldom respond to a formal call for proposals, but that they do respond to a direct invitation to participate on a panel. Members agreed there is a need to make a concerted effort to involve practitioners as presenters or discussants and that in recent years those efforts have waned. Secretary-Treasurer Zimmerman noted that in the past we have reserved a number of annual meeting sessions for practitioner workshops which have been well received. However, the creation of the seven IRRA sections and the desire to involve them actively on the program has cut into the number of available time slots.

President Wheeler described a new feature at the New Orleans meeting that involved distinguished practitioners on panel presentations. He presented a proposal to continue a Distinguished Practitioner panel at future meetings. The intent of the proposal is to create a standing committee responsible for the continuation of the panel in the following year. It was questioned whether the panel would replace the Distinguished Speaker session held in the past. President Wheeler indicated that the panel could be in addition to the Distinguished Speaker. Concern was expressed that a standing committee would remove the session from the purview of the Program Committee. Motion was made to amend the proposal by creating an Ad Hoc Committee on Distinguished Panels. Amended motion passed.

President Wheeler reported on the activities and program involvement of the seven IRRA sections. All of the sections organized program sessions

for the New Orleans meetings and held section meetings during the course of the meetings. While he indicated that some sections were more active than others, he stated that all hold promise for the future involvement of members.

Board member Joan Ilivicky reported that plans for the 1997 spring meeting in New York City were in the final stages. The meetings will be held at the Marriott East Side Hotel across from the Waldorf Astoria. The dates of the meeting are April 17-19. Hotel rooms will be available at $150 per night. Food service at the hotel is very expensive, and the Board discussed alternative times and sites to hold a Board meeting during the spring meeting.

Report of the Editorial Committee. Paula Voos, Editor-in-Chief and Chair of the Editorial Committee, reported that the committee met briefly and would reconvene to consider the topic for the 1999 research volume. One proposal has been received to date.

Administrator Hutchison referred Board members to a letter from Voos raising several issues concerning the involvement of the Editor-in-Chief in IRRA research volumes. Voos has expressed interest in being reappointed Editor-in-Chief but with the understanding that there be some flexibility in the Board's policy that neither the Editor-in-Chief nor members of the Editorial Committee may participate as authors or editors of an IRRA research volume during their tenure. The policy was enacted several years ago to overcome the perception that members of the committee would have an advantage in getting a research volume or chapter published. Voos indicates that allowing members of the committee to participate on a volume could contribute to openness in the organization and enable the IRRA to use the resources of individuals who could contribute substantially to the value of a volume.

Motion was made, seconded, and passed to grant an exception and allow the Editor-in-Chief to submit a proposal once during her three-year term. A second motion to allow members of the Editorial Committee to be contributors to a research volume during their term was tabled. It was subsequently moved, seconded, passed to extend Voos' term as Editor-in-Chief for another three years (term to expire at the end of 1999).

Report of the Finance and Membership Committee: Don O'Brien, Chair of the Finance and Membership Committee, reviewed current membership statistics and financial data. IRRA membership continues to decline by approximately 200 members each year with significant impact upon Association finances. O'Brien said that we need to focus our efforts on attracting young professionals and on strengthening the IRRA chapters. He suggested that the national implement a program as it had on the Dunlop Commission

and encourage chapters to hold programs on a national topic with national assistance on materials and/or speakers.

O'Brien reported the committee's recommendation that a research and education endowment fund be established. IRRA legal counsel and administrator will consult over the possibility and report back at the spring Board meeting.

O'Brien raised the issue of the continuing financial viability of the spring meeting. Attendance at spring meetings has been low in recent years, costs have risen, and competition with other spring meetings, including the FMCS biennial meeting, has increased. The committee recommends that the Finance and Membership Committee work with the Chapter Advisory Committee Board to address the issue of future spring meetings.

O'Brien presented the committee's recommendation for the 1998 budget and dues. He reminded members that the IRRA constitution and bylaws limits dues increases to the cost of living. The limitation was adopted during a time of double-digit inflation. However, in recent years that restriction has gravely limited the ability to raise IRRA's historically low dues structure. The time has come, in the view of the committee, to disengage the dues structure from the CPI.

It was moved, seconded, and passed to amend Section I (4) of the bylaws by deleting the end of the section as follows:

(4) The dues schedule may be changed at the discretion of the Executive Board ~~in proportion to the change in relevant price and wage indexes~~.

The Board's approval of the bylaws change will be submitted to the membership.

On the recommendation of the committee, it was moved, seconded, and passed that 1998 membership dues be raised from $56 to $60. Subsequent to discussion of estimated revenues and extraordinary expenses during the 50th anniversary year, the Board adopted the budget proposed by the committee.

Report of the Secretary-Treasurer and Administrator. Administrator Kay Hutchison reviewed membership and financial information. Revenue in 1996 was down primarily because half of the new members came in under the introductory half-price membership offer available to chapter members. Low spring meeting revenue also contributed to the decline. Revenue will be tight during 1997 as membership is expected to continue to decline and the Association will incur additional expenses as part of the anniversary celebration. Fund-raising is underway to solicit additional financial support for the anniversary video and magazine from individual and organizational members.

Hutchison presented the 1996-97 dues invoice for the Association's membership in the Council of Professional Associations on Federal Statistics (COPAFS). Members noted that it is the only organization that monitors funding for federal statistics. It was moved, seconded, and passed to renew IRRA membership in COPAFS.

New Business. President Wheeler reviewed his proposal for modernizing the IRRA image. The proposal is to adopt a logo and motto to represent the Association on all literature and publications in lieu of the Association name. The intent of the proposal is to modernize our image without the necessity of renaming the organization. The logo and motto would be made available to IRRA chapters to link the identities of the national and chapter organizations. Motion carried.

Meeting adjourned at 11:20 p.m.

IRRA GENERAL MEMBERSHIP MEETING
January 5, 1997
Fairmont Hotel, New Orleans

President Hoyt Wheeler called the meeting to order at 4:50 p.m. and, following the tradition of former President George Strauss, gave a report on his tenure as President. He identified a number of goals and accomplishments during his term including (1) visits to many IRRA chapters (from Oregon to Rhode Island and Alabama to Wisconsin), (2) greater involvement of practitioners at the annual meeting, (3) creation of seven IRRA special interest sections, (4) appointment of a Mission Committee, and (5) the development of a new publication aimed at practitioners.

Administrator Kay Hutchison reported on the actions taken by the Executive Board at its meeting January 2 (see above) and announced the unanimous recommendation of the Nominating Committee that Thomas Kochan be the candidate for the office of President Elect-Elect.

Report of the Program Committee: President-Elect and Program Committee Chair Fran Blau reported on program plans for the 50th annual meeting to be held in Chicago in January 1998. She said the committee had received a significant number of proposals from individuals and sections and the program promises to be equal to this important event.

Report of the Editorial Committee: Editor-in-Chief Paula Voos reported that the 1996 volume, *Public Sector Employment in a Time of Transition*, edited by Dale Belman, Morley Gunderson and Douglas Hyatt, was mailed

to members in November and that the 1997 volume, *Government Regulation of the Employment Relationship*, edited by Bruce Kaufman, is on schedule. The topic of the 1998 volume will be disability in the workplace (Terry Thomason, John Burton, and Douglas Hyatt, eds.). The committee continues to review proposals for the 1999 volume.

Report of the Chapter Advisory Committee: Chair Janet Conti reported that the current *Chapter Handbook* is being revised and will be made available to chapter presidents later this year. She reported that the NCAC is considering two initiatives to (1) develop a Distinguished Practitioner Panel with nomination of participants by the chapters and (2) develop a "Chapter of the Year" award as a continuation of the award presented to the Oregon Chapter at these meetings. The NCAC will meet this spring to further discuss the criteria for nominations.

Report of the Finance and Membership Committee: Chair Don O'Brien reported on the committee's recommendations to increase dues to $60.00 for 1998 and to revise constitutional language that limits dues increases to increases in the cost of living.

Report of the 50th Anniversary Committee: Co-chair Maggie Jacobsen described the special events and communications the committee was pursuing to honor the anniversary. Brochures on the 50th anniversary magazine, *Perspectives on Work*, are now available, and Jacobsen urged members to pass one on to a friend or colleague. Three issues will be published during the anniversary year and a 50th anniversary video is also being produced. Several sessions at the Chicago meeting will look to the Association's past and future as part of the anniversary celebration.

Report of the Administrator: Kay Hutchison reported on the finances and membership of the association. A membership drive is underway within local IRRA chapters to help stem the continuing loss of national members. Chapter members who were not current national members have been offered an initial membership year at half price. Renewals will be tracked to determine the success of the effort. Revenues for 1996 amounted to approximately $242,000, the same as the previous year. Hutchison said expenses for the year were somewhat higher because of the St. Louis Spring Meeting and the increased cost of publications. She anticipates a break-even or small deficit for 1996.

Hutchison said a special fund-raising effort is underway to support the 50th anniversary celebration. Funds will support the anniversary publications and video which will be available to chapters, students, and others. Hutchison asked members to remember the association with a contribution, and she thanked those members who had already given.

Hutchison noted that the association is increasing its on-line presence. She encouraged members and chapters to use this service to communicate with one another and to promote meetings, post job vacancies, etc. The complete program for New Orleans and abstracts of papers were available on the IRRA homepage for the first time. She also reported that all meeting sessions at New Orleans were being audio taped and that tapes would be available for purchase at and after the meetings. Hutchison further acknowledged the presentation of the young scholar awards at this year's presidential luncheon.

The administrator announced the dates and places of future IRRA meetings:

April 17-19, 1997, Spring Meeting in New York City
January 3-5, 1998, 50th Anniversary Meeting in Chicago
January 3-5, 1999, Annual Meeting in New York City
January 7-9, 2000, Annual Meeting in Boston
January 5-7, 2001, Annual Meeting in New Orleans

President Wheeler thanked the national office for its work on behalf of the Association.

New Business: President Wheeler opened the floor to new business. Roy Adams offered a motion, which was seconded, to replace Section (e) of the Mission Statement adopted by the Board with the following language:

> While encouraging open and frank discussion of issues in these fields, the Association strongly affirms its support for the following core labor standards:
>
> 1. Freedom of association
> 2. Right to organize and bargain collectively
> 3. Prohibition of forced labor
> 4. Elimination of exploitative forms of child labor
> 5. Nondiscrimination in employment or occupation

After significant discussion from the floor, Adams amended his motion to the effect that the general membership meeting approve in principle the core principles of his proposal and a committee be established to incorporate the core principles into the constitution and report back to this body next year. Motion was seconded.

Motion was made and seconded to table Adams' amended motion, and a voice vote was inconclusive. On a show of hands, the motion to table carried 37 to 35. Wheeler announced that the original motion was again before the body and the question was called. Motion was made from the floor and seconded to insert Adams' language rather than replace Section

(e) of Mission Statement adopted by Board. Amended motion passed on a voice vote. Members will be given the opportunity to vote on the proposals for amendment of the mission statement contained in the Association's Constitution and Bylaws on the mail ballot to be sent to members in May.

Wheeler turned the meeting over to incoming President Blau, and the meeting was adjourned.

AUDITED FINANCIAL STATEMENTS
December 31, 1996

We have audited the accompanying statement of financial position of Industrial Relations Research Association (a nonprofit organization), as of December 31, 1996, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Industrial Relations Research Association as of December 31, 1996, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles..

Stotlar & Stotlar, S.C.

February 20, 1997

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

Statement of Financial Position
December 31, 1996

ASSETS

Current assets:	
Cash	$190,300
Short-term investments	55,290
Accounts receivable, net	5,783
Accrued interest, receivable	477
Prepaid expenses	15,757
Inventory	27,219
Total current assets	294,826
Long-term investments	79,404
Property and equipment	36,007
Less: Accumulated depreciation	(27,679)
Total Assets	$382,558

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 74,754
Accrued liabilities	127
Dues collected in advance	95,860
Subscriptions collected in advance	16,013
Deferred income	43,755
Total current liabilities	230,509
Net Assets	
Unrestricted	70,408
Temporarily restricted	33,274
Permanently restricted	48,367
Total net assets	152,049
Total Liabilities and Net Assets	$382,558

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

STATEMENT OF ACTIVITIES
Year Ended December 31, 1996

UNRESTRICTED NET ASSETS	
Revenue, gains and other support	
Membership dues	$ 152,450
Subscriptions	17,673
Chapter fees	8,544
Book sales, net	13,097
Newsletter advertising	1,523
Mailing list rental	3,665
Royalties	530
Meeting registrationss	26,650
Investment return	4,975
ASSA refund	10,189
Grant income	4,000
Contributions	75
Miscellaneous	231
Total revenues, gains and other support	243,602
Expenses and losses	
Program services	
General	107,054
Meetings	36,299
Publications	69,585
Supporting services	
Management and general	25,144
Membership development	6,785
Total expenses and losses	244,867
Decrease in unrestricted net assets	(1,265)
TEMPORARILY RESTRICTED NET ASSETS	
Investment return	1,268
Increase in temporarily restricted net assets	1,268
PERMANENTLY RESTRICTED NET ASSETS	
Investment return	2,431
Increase in permanently restricted net assets	2,431
Increase in net assets	2,434
Net assets at beginning of year	149,844
Prior period unrelated business tax	(229)
NET ASSETS AT END OF YEAR	$ 152,049

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 1996

	Program Services								Supporting Services		
	General	Annual Meeting	Spring Meeting	Winter Proceedings	Spring Proceedings	Research Volume	Newsletter	Directory	Management & General	Membership Development	Totals
Compensation & Related Expenses:											
Compensation	$ 76,391										$ 76,391
Payroll taxes & fringes	21,710										21,710
Contract services									$ 1,625		1,625
Depreciation									3,526		3,526
State tax									1,669		1,669
Insurance–liability									575		575
Insurance–other											
Vehicles									1,096		1,096
Bank charges										$6,222	6,222
Promotion									465		465
Equipment lease									3,679		3,679
Postage and freight											
UPS books	372										372
Accounting/Auditing									3,278		3,278
Printing		$ 906	$ 2,014	$19,975	$4,365	$15,195	$ 5,185	$6,574			54,214
Postage		827	664	3,963	999	4,160	3,859				14,472
Other publication costs				1,451	86	1,261	1,600				4,398
Inventory obsolescence				804	108						912
Meals		6,167	8,142								14,309
Travel		1,290	740								2,030
Other meeting expenses		1,217	5,019								6,236
Profit reimbursement			763								763
National travel		609	1,241								1,850
National hospitality		2,760	401								3,161
National Executive Board		3,212	184								3,396
National Copying		58	85								143
Supplies											
Computer & label	3,052										3,052
Office supplies									4,555		4,555
Member awards										563	563
Student awards	500										500
Telephone									1,548		1,548
Chapter expenses	2,715										2,715
Dues									810		810
Duplicating									2,076		2,076
Other committee expenses	2,314										2,314
Miscellaneous									242		242
	$107,054	$17,046	$19,253	$26,193	$5,558	$20,616	$10,644	$6,574	$25,144	$6,785	$244,867

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

STATEMENT OF CASH FLOWS
Year Ended December 31, 1996

Cash flows from operating activities	
Change in net assets	$ 2,434
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,526
(Increase) or decrease in operating assets:	
Accounts receivable	2,664
Accrued interest receivable	(477)
Prepaid expenses	1,389
Inventory	(2,967)
Increase or (decrease) in operating liabilities:	
Accounts payable	33,399
Accrued liabilities	13
Dues collected in advance	(1,011)
Subscriptions collected in advance	4,910
Deferred income	21,755
Unrelated business tax payable	(229)
Net cash provided from operating activities	65,406
Net increase in cash and short term investments	65,406
Cash and short term investments:	
Beginning of year	259,588
End of year	$324,994

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Nature of Organization

The Association is a not-for-profit organization. Its purpose is to provide publications and services to its members in the professional field of industrial relations.

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, net income from the sale of membership mailing lists and newsletter advertising is unrelated business income, and is taxable as such.

Basis of Accounting

The financial statements of the Association have been prepared utilizing the accrual basis of accounting.

Financial statement presentation

The Association adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Association is required to present a statement of cash flows.

Contributions

The Association also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Investments

Investments include balances held during 1996 in Kemper Money Market account. Investments are stated at fair market value.

Inventory

The Association's inventory of directories, research volumes, proceedings, and prior newsletters is carried at the lower of cost or market value.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. Depreciation is provided using the straight line method over an estimated five-to-seven-year useful life.

Membership Dues—Advance Subscriptions Collected

Membership dues and subscriptions are assessed on a calendar year basis and are recognized on an accrual basis. Funds received for the upcoming 1997 calendar year are reflected as deferred income on the statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Industrial Relations Research Association is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Industrial Relations Research Association has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was unrelated business income for 1996.

SUBJECT INDEX OF CONTRIBUTIONS

Key to Volumes:

1992R - Research Frontiers in Industrial Relations and Human Resources
1993A - Proceedings of the 45th Annual Meeting, Anaheim
1993S - Proceedings of the 1993 Spring Meeting, Seattle
1993R - Employee Representation: Alternatives and Future Directions
1994A - Proceedings of the 46th Annual Meeting, Boston
1994S - Proceedings of the 1994 Spring Meeting, Philadelphia
1994R - Contemporary Collective Bargaining in the Private Sector
1995A - Proceedings of the 47th Annual Meeting, Washington, DC
1995S - Proceedings of the 10th World Congress of the IIRA, Washington, DC
1995R - The Comparative Political Economy of Industrial Relations
1996A - Proceedings of the 48th Annual Meeting, San Francisco
1996S - Proceedings of the 1996 Spring Meeting, St. Louis
1996R - Public Sector Employment in a Time of Transition
1997A - Proceedings of the 49th Annual Meeting, New Orleans
1997P1- Perspectives on Work, Vol. 1, Issue 1
1997P2- Perspectives on Work, Vol. 1, Issue 2

AFFIRMATIVE ACTION/EQUAL EMPLOYMENT/DIVERSITY/ADA

COMPARATIVE/INTERNATIONAL

COMPENSATION/BENEFITS/HOURS

DISPUTE RESOLUTION

EMPLOYEE REPRESENTATION/WORKER PARTICIPATION/VOICE

GOVERNMENT POLICIES AND PROGRAMS

HUMAN RESOURCE MANAGEMENT

LABOR AND EMPLOYMENT LAW

LABOR-MANAGEMENT RELATIONS

LABOR MARKETS AND LABOR ECONOMICS

PUBLIC SECTOR

RESEARCH/METHODOLOGY/TEACHING IR

TRAINING/EMPLOYEE DEVELOPMENT

UNIONS/COLLECTIVE BARGAINING

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ALPHABETICAL LIST OF AUTHORS