

**INDUSTRIAL RELATIONS  
RESEARCH ASSOCIATION**

**Proceedings of the  
1975 Annual Spring Meeting**

**May 8-10, 1975**

**Hartford, Connecticut**

## OFFICERS OF IRRRA FOR 1975

### PRESIDENT:

Gerald G. Somers, University of Wisconsin

### PRESIDENT-ELECT:

Irving Bernstein, University of California, Los Angeles

### SECRETARY-TREASURER:

Richard U. Miller, University of Wisconsin

### CO-EDITORS:

James L. Stern, University of Wisconsin

Barbara D. Dennis, University of Wisconsin

### EXECUTIVE BOARD MEMBERS:

Eileen Ahern, Continental Can Company

Arvid Anderson, Office of Collective Bargaining, NYC

Henrietta L. Dabney, Amalgamated Clothing Workers of America

Walter A. Fogel, University of California, Los Angeles

Thomas W. Gavett, Bureau of Labor Statistics, USDL

Joseph P. Goldberg, Bureau of Labor Statistics, USDL

Nathaniel Goldfinger, AFL-CIO

Juanita M. Kreps, Duke University

Graeme H. McKechnie, York University

Robert B. McKersie, Cornell University

Herbert S. Parnes, Ohio State University

Jerome M. Rosow, Exxon Corporation

David W. Salmon, Western Conference of Teamsters

George Strauss, University of California, Berkeley

Paul Yager, Federal Mediation and Conciliation Service

## PAST PRESIDENTS OF IRRRA

1948	Edwin E. Witte	1962	Charles A. Myers
1949	Sumner H. Slichter	1963	William F. Whyte
1950	George W. Taylor	1964	Solomon Barkin
1951	William M. Leiserson	1965	Edwin Young
1952	J. Douglas Brown	1966	Arthur M. Ross
1953	Ewan Clague	1967	Neil W. Chamberlain
1954	Clark Kerr	1968	George P. Shultz
1955	Lloyd Reynolds	1969	Frederick H. Harbison
1956	Richard A. Lester	1970	Douglass V. Brown
1957	Dale Yoder	1971	George H. Hildebrand
1958	E. Wight Bakke	1972	Benjamin Aaron
1959	William Haber	1973	Douglas H. Soutar
1960	John T. Dunlop	1974	Nat Goldfinger
1961	Philip Taft		

**INDUSTRIAL RELATIONS  
RESEARCH ASSOCIATION**

**Proceedings of the  
1975 Annual Spring Meeting**

**May 8-10, 1975  
Hartford, Connecticut**

**Edited by James L. Stern  
and  
Barbara D. Dennis**

**Industrial Relations Research Association  
Social Science Building, University of Wisconsin  
Madison, Wisconsin 53706 USA**

Reprinted from the August, 1975 Issue of  
**LABOR LAW JOURNAL**  
Published and Copyrighted 1975 by  
Commerce Clearing House, Inc., Chicago, Illinois 60646  
All Rights Reserved

Proceedings of the 1975 Annual Spring Meeting  
Industrial Relations Research Association

Printed in the United States of America. All rights reserved. No part of this book may be used or reproduced in any manner whatsoever without written permission, except in the case of brief quotations embodied in critical articles and reviews.

Library of Congress Catalog Card Number: 50-13564

**INDUSTRIAL RELATIONS RESEARCH ASSOCIATION SERIES**

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

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

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

# Industrial Relations Research Association Spring Meeting

May 8-10, 1975

Hartford, Connecticut

Preface .....	456
Wage and Price Controls as Seen by a Controller .....	
..... By John T. Dunlop	457
<b>SESSION I—THE TRAINING OF LABOR RELATIONS SPECIALISTS</b>	
Training of Management Specialists in Labor Relations .....	
..... By Harish C. Jain	464
Training of Labor Union Officials .....	By Lois S. Gray
	472
Some Third Thoughts on Graduate Industrial Relations Programs .....	
..... By Jean Sexton	477
The Training of Labor Relations Specialists: a Discussion .....	
..... By Marcia L. Greenbaum	483
<b>SESSION II—HEALTH AND SAFETY PROGRAMS: INDUSTRIAL RELATIONS PERSPECTIVES</b>	
OSHA and Workers' Compensation: Some Thoughts on Fatalities .....	
..... By Peter S. Barth	486
The Insurance Industry and Occupational Alcoholism .....	
..... By A. E. Hertzler Knox, M. D., and William E. Burke	491
Health Insurance and Collective Bargaining in Quebec .....	
..... By Lee Soderstrom	496
Health Insurance and Collective Bargaining in Canada and the U. S.: a Discussion .....	By Henry T. Becker
	501
The Insurance Industry and Occupational Alcoholism: a Discussion ....	
..... By Gerald G. Somers	504
<b>SESSION III—ECONOMIC DEVELOPMENT AND MANPOWER PROBLEMS</b>	
The New England Economy: Current Developments and Outlook ....	
..... By David Pinsky	508
Unemployment Insurance and Labor Force Participation with Application to Canada and Its Maritime Provinces .....	By Neil Swan
	511
Regional Employment Impacts of Rising Energy Prices .....	
..... By William H. Miernyk	518
Economic Development in New England: a Discussion .....	
..... By Leonard J. Hausman	524
Impact of Income Maintenance Programs in the Maritimes: a Discussion .....	By W. C. Wien and P. M. Butler
	527
<b>SESSION IV—LABOR RELATIONS IN A PERIOD OF INFLATION AND RECESSION</b>	
Labor Relations in a Period of Inflation and Recession: Management Views .....	By Jerome M. Rosow
	531
Labor Relations in a Period of Inflation and Recession: Policies of the NLRB .....	By John H. Fanning
	534
Pressures on Collective Bargaining—Labor Relations in a Period of Un- certainty: a Discussion .....	By Frances Bairstow
	540
Labor Relations in a Period of Inflation and Recession: a Discussion ..	
..... By John Crispo	543
IRRA 1975 Spring Meeting	455

## PREFACE

### Industrial Relations Research Association Series Proceedings of the 1975 Annual Spring Meeting

The Association's 1975 Spring Meeting in Hartford, Connecticut, was considered to be close enough to the northern border of the United States to justify a Canadian-U. S. theme. Canadian and U. S. points of view about problems common to both countries highlighted the sessions about economic development and manpower, income maintenance and insurance protection against disability, labor relations in a period of inflation and recession, and the training of labor relations specialists.

Sessions ran from Thursday evening, May 8, through Saturday morning, May 10, and, in addition to the programs noted above, included discussion of affirmative action and wage and price controls. The Friday dinner meeting featured an address by Secretary of Labor John T. Dunlop. It is with understandable pride that we note the call to service in important policy positions that have been extended by Presidents of the United States (of both parties) to leaders in the IRRA. John Dunlop, as a past president of the IRRA, is the latest example of what we hope will be a continuing tradition.

IRRA President Gerald Somers and the Association's staff are grateful to Professor David Pinksy, University of Connecticut, who served as Chairman of the Hartford arrangements committee, and to his committee members: Peter Barth, University of Connecticut; John Glynn, president, Connecticut IRRA chapter; Lucius Fuller, Hartford County Manufacturers Association; Frank Grella, University of Hartford; John Morton, FMCS; and Gordon Sawyer, IAM, AFL-CIO. They efficiently ran and pleasantly situated the conference they arranged. The editors wish to express their appreciation to the speakers and discussants for their cooperation in preparing their remarks for publication, and to Mrs. Gulesserian of the IRRA staff for her general assistance. As in the past, these Proceedings first appeared in the August issue of the Labor Law Journal and have been reprinted for distribution to IRRA members.

Madison, Wisconsin  
July 1975

JAMES L. STERN  
BARBARA D. DENNIS  
IRRA Co-Editors

# Wage and Price Controls as Seen by a Controller

By JOHN T. DUNLOP

Secretary of Labor

THE FEBRUARY 1919 issue of *The Quarterly Journal of Economics* carried "Price Fixing as Seen by a Price Fixer" by F. W. Taussig, who as Chairman of the Tariff Commission had served as one of eight members of the Price-Fixing Committee of the War Industries Board.<sup>1</sup> The Committee was created on March 14, 1918, and had authority to report directly to the President. The article also discussed price-fixing activities by the two other price-fixing agencies of the war period: the Food Administration and the Fuel Administration. Regulation came to an end almost immediately after the conclusion of the armistice in November, 1918.<sup>2</sup>

Some of Taussig's comments on the experience may be of current interest: "The Price-Fixing Committee...started with the design of protecting the government and extended its function, but gradually and slowly, toward the protection of the public also [pp. 207-8]. The prices fixed [by the Price-Fixing Committee] were in all cases reached by agreement with the representatives of the several industries.... The representatives of some industries, tho they accepted them, did so virtually under duress [p. 209]. ... [G]overnment price-fixing during the war was not uniform in its objects and was little guided by principle or deliberate policies [p. 238]."

Taussig's concluding appraisal stated: "So far as the experiment went, and so long as it lasted, the outcome seems to me to have been good.... Supply and demand, monetary principles and monetary laws are customarily formulated in exact terms, with an appearance of mathematical sharpness. The qualifications which must attach to these 'laws' in any concrete application or predication, familiar to the well-trained economist, leave abundant room for some exercise of restraining and deliberate action. No doubt there are limits to which such action must be confined; but they are not narrow limits,

---

<sup>1</sup> F. W. Taussig, "Price-Fixing as Seen By a Price Fixer," *Quarterly Journal of Economics* (February 1919); pp. 205-241.

<sup>2</sup> For a discussion of World War I controls, see Charles O. Hardy, *Wartime Control of Prices* (Washington, D. C.: The Brookings Institution, 1940), particularly pp. 111-212.

and within them much was done which proved of advantage to the country [pp. 240-41]."

These remarks summarize part of a larger review of wage and price controls which I have been interested in for some time. The objective has been to consider the fundamentals of wage and price controls programs in this country incorporating first-hand experience of three eras: World War II, the Korean War era, and the period from the imposition of construction industry controls on March 29, 1971, to the expiration of controls authority, except for petroleum, on April 30, 1974.<sup>3</sup> The preoccupation has been with the principles of any future controls program.

The purpose is to state succinctly—and perhaps dogmatically—what an economist should know about controls in a role as administrator or appraiser where one is required to deal with the totality of behavior rather than with the considerable abstractions of economic analysis. Another purpose is to indicate in a few instances some of the implications of controls experience for economic analysis and further research.

<sup>3</sup> See John T. Dunlop, "Decontrol of Wages and Prices," in *Labor in Postwar America*, Colston E. Warne, Ed., (New York: Remsen Press, 1949), pp. 3-24; "An Appraisal of Wage Stabilization Policies," in *Problems and Policies of Dispute Settlement and Wage Stabilization During World War II*, Bulletin 1009, Bureau of Labor Statistics, Department of Labor (Washington, D. C., 1950), pp. 155-186.

<sup>4</sup> For some of the primary literature see National War Labor Board, *The Termination Report*, 3 volumes, United States Department of Labor, 1947; *The National Wage Stabilization Board, January 1, 1946-February 24, 1947*, U. S. Department of Labor, 1948; John T. Dunlop and Arthur D. Hill, *The Wage Adjustment Board, War-time Stabilization in the Building and Construction Industry* (Cambridge: Harvard University Press, 1950); *Wage Stabilization Program, 1950-1953*, 3 volumes, Wage Stabili-

In view of the interests of the Industrial Relations Research Association, these observations will be confined to wage and compensation policy, leaving the price side to another occasion.

The fundamental principles of a viable wage and salary stabilization program are as follows in this country.<sup>4</sup> (Some principles are not necessarily transferable among national industrial relations systems.)

### Labor-Management Participation

It is essential that the recognized national labor and management leaders participate in the formulation and the administration of the wage and salary program. The quality of participation may range along the considerable spectrum from felicitous agreement to reluctant assent. But noncooperation and hostility from labor or management leaders can quickly put the stabilization authorities under siege with massive law suits, concerted legislative attack with endless amendments to the statutory authority and limitations on appropriations, and, most serious of all, labor disputes and work stoppages that are directed

zation Board, Economic Stabilization Agency, (June 30, 1953, Washington, D. C.); George W. Taylor, *Government Regulation of Industrial Relations* (New York: Prentice-Hall, Inc., 1948), pp. 90-244; Arnold R. Weber, *In Pursuit of Price Stability, The Wage-Price Freeze of 1971* (Washington, D. C.: The Brookings Institution, 1973); Executive Office of the President, Cost of Living Council, *Economic Stabilization Program, Quarterly Reports* (August 15, 1971—June 30, 1974); John T. Dunlop, "Fundamentals of Wage Stabilization," *Daily Labor Reports* (Bureau of National Affairs, Inc., Washington, D. C., February 4, 1974, Section F); John T. Dunlop, *Inflation and Incomes Policies: The Political Economy of Recent U. S. Experience*, The Monash Lecture, Monash University (Australia, September 9, 1974); Daniel J. B. Mitchell, "Phase II Wage Controls," *Industrial and Labor Relations Review* (April 1974), pp. 351-375.



against the government and its stabilization program. There can be no survival of a wage stabilization program in that atmosphere in American society, only a massive wage and salary eruption.

A number of propositions are related to this basic interdependence of wage and salary stabilization and industrial relations. The stabilization authorities need to be closely allied with the on-going procedures for contract dispute settlement through mediation and arbitration. There can be nothing but confusion and conflict if stabilization authorities are continually pitted against mediators and arbitrators. The stabilization authorities need not themselves be fully involved in dispute settlement, as in World War II and Korea, but realistic attention to the necessities of dispute settlement in critical cases is essential to survival of stabilization.

This is not a soft policy; rather does it seek to gain the assistance and respect of the mediation and arbitration fraternity. No amount of railing by stabilization economists against mediators or chest-thumping over the primacy of stabilization responsibilities will settle a strike, nominally against an employer but actually against the government's stabilization program.<sup>5</sup>

A major concern of a stabilization program is that it may divert bargaining artificially away from compensation to more onerous work rules and increased nonproductive time on the job. The adverse consequences to productivity and real cost may be long run. Only the active participation of labor and management representatives and sympathetic relations with mediators and arbitrators fa-

miliar with the negotiations can begin to discover the practical effects on costs and earnings of contract language, manning requirements, and rules changes.

The flight pay rules in air transportation, the provisions relative to compensation on a paper machine, travel pay in construction, or manning in longshoring and maritime are illustrative. The artful diversion of collective bargaining under stabilization to enhance such rules cannot be prevented without the active assistance of the industrial relations community.

### Internal Communication

The involvement of national labor and management leaders is essential to explain and defend to local parties, at least through internal lines of communication, the integrity and procedures of the stabilization agency. They should be free to criticize individual decisions or policies, but a program cannot long continue if labor and management representatives do not in fact support the program. They need to assure constituents of the accuracy of data and facts, and these can never be fully understood by staff alone. They are essential to advise and "try on for size" different possible decisions, to be sensitive for internal purposes to timing of actions, to assist in dispute resolution and to facilitate settlements more in keeping with stabilization objectives. The representatives of labor and management are indispensable—to even the most experienced neutral—to place a given case or problem in the sequence of upcoming situations likely to arise.

The separation of policy making and administration in wage stabiliza-

---

<sup>5</sup> Gardner Ackley, "An Incomes Policy for the 1970's," *Review of Economics and Statistics* (August 1972), p. 222.

tion is a major mistake. In this field there is a significant interaction that takes place between case handling and the formation of general precepts. As will be developed in more detail below, the fundamental task of wage stabilization is the achievement of a wage and salary structure, a complex of differentials or relativities, which is generally acceptable and respected, and which does not contain within itself the distortions for continued self-generation of inflation.

For such decisions in individual cases the full participation of labor and management representatives is indispensable. The resort to general rules or formulas simply will not work because it does not seek the essential ingredient of acceptability and relative equity to those directly involved and those likely to be subsequently affected. A viable stabilization program consists of a series of individual decisions and consolidations of general statements.

The principle of participation is no less essential in dealing with non-union wages and salaries or with executive compensation. Private decisions in these areas also have their own inner logic and relationships which must be understood. Elaborate data systems have emerged in most localities or industries and annual procedures for review and changes have become highly formalized in large enterprises. Stabilization authorities must be able to communicate with the relevant decision makers in terms of these data and rules of thumb. This will avoid instabilities in relationships which generate further wage-to-wage inflation during the stabilization period or at its demise.

The careful involvement of labor and management representatives is nowhere more essential to a viable stabilization program than in relation to public employment. The relations of the federal government to state and local governments are sufficiently sensitive, and compensation rules are complex in part because they are incorporated often into statutes or ordinances that include the compensation of elected officials and government employees. Unionization campaigns further complicate any stabilization programs in the sector. The industrial relations arrangements are in transition. The compensation of government employees is too significant to be ignored and too delicate not to require accommodation between national and local governmental responsibilities.

### Eliminating Distortion

The substantive objective of a compensation stabilization program is to eliminate gradually distortions in wages and salaries, and fringe benefits as well, which have arisen from recent past inflation and which otherwise will generate by themselves a continuing process of increases. Such a program seeks to restore traditional relationships or those appropriate to the longer term future among sectors, localities, occupations, and private or public employers. Wage and salary stabilization in its content is, and has always been, an exercise in differentials, relativities, and structure.<sup>6</sup>

In World War II, the "Little Steel formula" was overtly designed to break the link between living costs and the wage level and to restore relative wage relationships among units that had prevailed in the pre-inflationary

<sup>6</sup> See John T. Dunlop, *Inflation and Income Policies: The Political Economy of Recent U. S. Experience*, op. cit.; John Hicks,

*The Crisis in Keynesian Economics* (New York: Basic Books, Inc., 1974), pp. 59-85.

period of January, 1941, by providing a standard of approval of a 15 percent increase over that base. Some wages had moved early while others had been held back by collective agreements or business conditions. Along with "interplant inequities," "wage brackets," "intraplant inequities," and fringe policies, the "Little Steel formula" was directed toward an appropriate compensation structure.

In the Korean period, General Wage Regulation 6, providing for a 10 percent increase by units over the preinflationary base of January, 1950, and regulations on interplant and intraplant inequities (G.W.R. 17 and 18) were the major standards similarly directed to the wage structure. Although the Pay Board in 1971-72 chose to emphasize a single self-administered "general wage and salary standard," its approvals in particular cases of far greater amounts constituted recognition of the decisive significance of relativities. The attention to relativities was at the center of the 1971-74 wage stabilization program in construction and for the economy generally from January, 1973, until May 1, 1974.

The question may arise as to the relations of the general wage level and the structure of compensation. In this country, there are no institutional arrangements for a single decision maker or small group, consciously, to set the money wage level. A number of key settlements spread and interact. The wage and fringe level at any moment is the result. A stabilization policy must focus on specific wages, salaries, and benefits. The wage level is a nonoperational concept. Moreover, to the extent not recognized by economists, general indices of average hourly earnings are a poor measure of compensation changes, particularly in times of in-

flation, because they do not incorporate changes in fringe benefits, neglect changes in work rules, and are influenced by changes in the distribution of employment.

### Relativities and Structure

A number of observations are related to this substantive definition of the purpose of compensation stabilization in terms of relativities and structure. The very nature of inflation is that wage, salary, and fringe benefit relationships among industrial relations contours (particular combinations of firms, labor organizations, localities, and occupations) are distorted out of line with recent historical patterns or their emerging tendencies. Inflation can almost be defined in wage terms as the creation of widespread distortions in these relationships. The dispersion in wage relationships among the key wage settlements or leaders in the structure increase during inflation, and the struggle is on among bargainers and decision makers to restore more tolerable longer run relationships. The process may go on for a period after the general inflationary forces have subsided, since labor agreements take time to expire. Negotiation and annual reviews for nonunion compensation come at different and discrete intervals.

A single wage or salary standard, of the Kennedy-Johnson or Pay Board variety, is accordingly an inappropriate stabilization policy for a controls program. It permits an equal increase (percentage-wise) among units whether or not they already have put into effect out-of-line increases. The consequence of the single standard is to perpetuate distortions. The essence of a correct stabilization policy is to permit larger increases to those units that have lagged while holding down those that have sharply moved ahead, subject only to the concern over longer-

term adjustments to take into account emerging labor market and industrial relations considerations.

Relative wage and salary relationships are particularly complex to re-establish when it is recognized that some wage adjustments are on an escalated relationship to the cost of living index. There are wide differences in such formula and ceilings. Many collective agreements use specified step increases rather than an escalation arrangement. Moreover, the durations of agreements, including re-opening provisions, vary markedly among wage and salary schedules. In these circumstances, the projection of future wage and salary relationships is complicated.

One implication of the concern over differentials, relativities, and structure for a stabilization program is to require a very considerable mass of wage rate, salary, and fringe benefits data. Stabilization periods in the past have always enhanced materially the extent of compensation data.

The attempt to reduce compensation adjustments of all types, including fringes and work rules, to a single number is not practical and may be very misleading. For instance, the costs of a uniform pension benefit will vary significantly with the age distribution and composition of the work force of a unit. Pension improvements in a relatively young unit may constitute very large cost increases when the same benefits are applied to an older work force. Accordingly, separate data on various fringes and benefits are required for an effective stabilization program, and separate standards may be required on various fringe benefits.

The appraisal of changes made in conditions of work, work rules, and manning requirements is a necessary

part of a stabilization program whether changes are made more favorable to the workers (less favorable to the management) or more favorable to management (less favorable to the workers). The longer the stabilization program runs, the greater the attention required to these elements of the employment-compensation bargain.

The experience with "productivity bargaining" in the incomes policies of Great Britain illustrates the range of problems. A policy strict enough to foreclose fictitious changes in productivity may discourage many needed changes. Genuine productivity changes, on the other hand, are often most difficult to evaluate. The most serious stabilization problems created by work rule and productivity changes is that compensating higher wage or benefit increases may in fact spread to other related employees who do not make the same or corresponding productivity and cost-saving adjustments.

### Special Treatment

Stabilization programs in the United States contain provisions, as in other countries, providing for special treatment for low paid workers in the form of larger allowable increases or exemptions from controls. In other countries, such provisions of incomes policies are designed to be redistributive. The views of Hugh Clegg on the British scene are illustrative: "Existing pay distribution is unfair. The chief cause of the pay explosion, and a major cause of many other industrial relations problems, is the growing realization of the injustice of our existing income distribution. An incomes policy which sustains existing relativities for long will be seen as unjust. The policy must therefore differentiate." Such redistributive views do not reflect the judgments of par-

ticipants in the industrial relations system of this country.

The advocacy of greater increases or lesser restriction for those at the bottom of the wage structure is accompanied by the view that those above such a cut-off level (\$3.50 an hour in the 1973 statute) should be free to maintain old differentials. Any compression of relativities is inappropriate. In these circumstances, the stabilization authorities are not typically confronted with a major problem of realignment. Moreover, adjustments allowed above the low-wage cut-off under stabilization rules are likely to be decisive for the lower end of the

scale and set an upper limit to the amount or percentage of the increase. There has been little interest in this country among industrial relations participants for using wage stabilization programs for redistributive purposes.

In summary, the procedural fundamental of wage and salary stabilization in this country is the necessity for the sympathetic involvement of labor and management leaders. The substantive fundamental is the objective of the gradual restoration of historical and emerging wage, salary, and benefit relativities, correcting the distortions which are the essence of compensation inflation. **[The End]**

## SESSION I

# The Training of Labor Relations Specialists

## Training of Management Specialists in Labor Relations

By HARISH C. JAIN

McMaster University

**R**ECENT DEVELOPMENTS indicate that the need for trained management specialists in labor relations is becoming increasingly important. Some of the more recent developments are public sector unionism, increased complexity in negotiations, massive public education, computers and electronic data processing, and labor relations pressures for equal employment opportunity.

One of the most significant trends in North American labor relations has been the emergence and rapid growth of unionism by government employees. In recent years, this has been the area of greatest membership growth.<sup>1</sup>

As the late E. Wight Bakke suggested: "All the conditions and circumstances that have made employ-

ees ready for collective bargaining in sectors where it has been established are present in the employment relations of a critical mass of public employees."<sup>2</sup> Increasing economic insecurity and the diminished social status of municipal workers, teachers, policemen, firefighters, etc., due to improved conditions and widely publicized wage and fringe benefit gains by blue-collar workers in the private sector, has led to group consciousness, a common purpose, and a common will on the part of public sector employees.<sup>3</sup>

The growing militance of public service unions is reflected in the rising number of legal and wildcat strikes. This may be in part due to the relative inexperience of both parties in the collective bargaining process, there-

<sup>1</sup> In the U. S., public employee union membership has been rising at a rate of 1,000 a day without the intense organizing that was necessary to recruit blue-collar workers in the late 1930's. See Thelma Hunt, "Critical Issues Facing Personnel Administrators Today," *Public Personnel*

*Management* Vol. 3, No. 6, (Nov./Dec. 1974), pp. 464-472.

<sup>2</sup> E. W. Bakke, "Reflections on the Future of Bargaining in the Public Sector," *Monthly Labor Review* (July 1970), p. 18.

<sup>3</sup> Gus Tyler, *The Labour Revolution* (New York: Viking Press, 1967), pp. 7-8.

by underscoring the growing need for trained labor relations specialists. The need for labor relations specialists becomes more urgent in view of the prediction of 22 to 50 percent increases in new positions in the field of industrial relations.<sup>4</sup>

### Increased Complexity in Negotiations

In addition to unionization in the public sector, the white-collar workers in several other service sectors are slowly becoming more unionized. As a result, the problems in employee relations do not merely revolve around the problems of higher wages and fewer working hours. For instance, given the sustained increase in female participation rates, some new issues such as day care centers for working mothers, better defined promotional "streams" away from clerical and other dead-end jobs, or greater say in management are emerging.

More specifically, the government is expanding its involvement in labor legislation both in terms of social issues and in the collective bargaining process. Unions such as the United Auto Workers and the United Steelworkers of America are pressing issues such as quality of work, ecology, control over technological change, etc. Union rank-and-file members are showing growing militancy by rejecting master contracts and engaging in illegal walkouts.

### Massive Public Education

This factor has also affected the labor relations function. Massive public education<sup>5</sup> and changing composition of the labor force will continue to decrease the gap not only between blue- and white-collar workers but also between managers, union officials, and labor in general. This has at least two implications. It might become increasingly more difficult to motivate workers to do menial, dull, repetitive, and boring jobs as their levels of education and, consequently, aspirations rise. Secondly, management may no longer be viewed as the sole body responsible for the working of the firm. In other words, workers may demand a say in the function of the company which will have to be negotiated at the bargaining table.

### Computer and Electronic Processing

Computerized decision-making is transferring the planning function from management to technical specialists. In labor relations, bargaining strategies can be computer-simulated and cost of alternative wage and fringe packages can be precalculated, thereby providing the necessary flexibility in the bargaining process. In some large enterprises, this has already occurred. This has implications for the growing utilization of trained labor relations specialists.

<sup>4</sup> U. S. Manpower in the 1970's Opportunity and challenge, as cited in John A. Belt and James A. Richardson, "Academic Preparation for Personnel Management," *Personnel Journal* (May 1973), pp. 373-380.

<sup>5</sup> In the U. S., 69.2 percent of the people had completed four years of high school and 14.1 percent had completed four or more years of college by 1972. See William Deutermann, "Educational Attainment of Workers, March 1972," *Monthly Labor Review* Vol. 95, No. 11, (Nov. 1972), pp. 38-

42. In addition, American industry spent \$20 billion educating its personnel in 1973. In Canada, approximately eight out of ten people in the labour force had attained more than grade eight education by 1971. By the end of this decade, the number of people who leave school with some post-secondary education will pass the 50 percent mark. See Harish C. Jain, *Contemporary Issues in Canadian Personnel Administration* (Toronto: Prentice-Hall, 1974).

## Labor Relations Pressures for Equal Opportunity

Recent court decisions in the United States in the area of equal employment opportunity are putting additional pressures on the collective bargaining process. The court decision pertaining to the Bethlehem Steel plant at Sparrows Point, Maryland, and the Bell Telephone agreement with the Equal Employment Opportunity Commission are cases in point where the collective agreement has been bypassed. In both cases, the companies had to grant plant-wide seniority to its minority and women employees. This replaced seniority by department in the case of Bethlehem and seniority by job classification in the case of the Bell Telephone as specified in the collective agreement. Moreover, "goals" and "targets" were to be established for the distribution of minorities and women within certain job classifications by agreement between the Office of Federal Contract Compliance and The Bell Telephone management.

Another development is the charge by the NAACP that unions have failed in their duty of "equal representation" of all employees in the bargaining unit. The NAACP wants a "third presence," such as a civil rights group, at the negotiating table.<sup>6</sup> These issues, in addition to new approaches to collective bargaining (e.g., coalition and multinational bargaining) demand new strategies, tactics, and problem-solving skills.

It is clear that management alone cannot handle these emerging prob-

lems. They require the assistance of specialists in labor relations, trained in a variety of skills. Since the labor relations function falls within the personnel department in a good many companies, we will use the term personnel and industrial relations (P/IR) to refer to this function. The P/IR function can be broken down into at least three levels:<sup>7</sup> clerical-technician, professional, and management.

Nicholson and Hudgins, in a report entitled "Training and Developing Personnel Resources in Canada," have projected training needs for the three levels of personnel in 1980, as outlined in Table 1. This paper is addressed to the training of the professional. In our terminology, the professional will be referred to as labor relations specialist. Their predictions regarding the training needs of the specialist seem to be consistent with the recent developments outlined earlier.

In order to answer the question related to the training of labor relations specialists, one needs to go beyond the sketchy outline in Table 1. We need to examine the education and training of current practitioners in the field, the labor relations philosophy of the enterprise, the generalist v. specialist controversy, and the availability of university, on-the-job, and off-the-job education and training programs.

### Education and Training of Current Specialists in P/IR.

As of 1971, there were approximately 30,000 people involved in the P/IR work in Canada.<sup>8</sup> In the U. S., the number of these specialists amounted

<sup>6</sup> David G. Hershfield, "Labour Relations Pressures for Equal Opportunity," *The Conference Board Record*, Vol. X, No. 9, (Sept. 1973), pp. 44-46.

<sup>7</sup> R. H. Nicholson and H. P. Hudgins, *Training and Developing Personnel Resources in Canada*, A Report to the Federation of Canadian Personnel Associations, 1970.

<sup>8</sup> Herb Wilson, "How Many Personnel Men and Women Are There in Canada?" *Canadian Personnel and Industrial Relations Journal* (Nov. 1974), pp. 29-32. They represent 8.7 percent of management on average across Canada. For all occupations in Canada, 34 percent were women; for management (Continued on page 468.)



**TABLE I**  
**Projected Training Needs for Three Levels of  
 Personnel in 1980**

KNOWLEDGE	SKILLS
<i>Clerical-Technical</i>	<i>Clerical-Technical</i>
Computer uses	Report writing
Statistics	Personnel interviewing
Organization structure	
Records management	
Legislation, benefits	
Evaluation	
Labor law	
<i>Professional</i>	<i>Professional</i>
Computer programming	Analysis
Management practices	Collective bargaining
Business functions	Counselling and evaluating
Survey techniques	Policy design
Research design	
O. D. techniques	
Statistics	
Systems	
Compensation techniques	
Collective bargaining	
<i>Management</i>	<i>Management</i>
M. I. S.	Counselling
Business functions	Communicating
Systems theory	Problem solving
Organization planning	
Policy design	
Management of conflict	
Research	
Economics	
Management practices	
Organization strategy	

SOURCE: Abbreviated from R. H. Nicholson and S. P. Hudgins, *Training and Developing Personnel Resources in Canada*, pp. 40-42.

to 110,000 in 1970; some government estimates indicate that there are as many as 160,000 P/IR specialists today.<sup>9</sup> The ratio of P/IR specialists for Canada seems to be somewhat favorable in view of the fact that the Canadian labor force is approximately one-tenth of the U. S. labor force.

Herman,<sup>10</sup> Harris,<sup>11</sup> and McFarland<sup>12</sup> studies show that around 80 percent of the P/IR people in the U. S. have college degrees. Of these, approximately 20 percent have a masters or law degree and another three percent have doctorates. These studies also indicate that general business administration and liberal arts degrees are about equally distributed among these specialists. In the Canadian setting, studies by Sproule *et al.*,<sup>13</sup> Moore *et al.*,<sup>14</sup> and Siegal *et al.*<sup>15</sup> indicate that only five out of ten P/IR specialists have attained a bachelor's degree and that some of these people have also acquired graduate degrees.

Thus, while nearly eight out of ten P/IR managers in the U. S. have a bachelor's degree, in Canada only

five out of ten had achieved this educational level.<sup>16</sup> The reason is that, in general, a substantial difference exists in university attainment between the Canadian and U. S. managers.<sup>17</sup>

### Labor Relations Philosophy

The labor relations philosophy of an enterprise influences the kinds of skills and knowledge that are required to carry out the labor relations function. For instance, if the prevailing philosophy is one of integrative bargaining or building a positive industrial relations climate between operating management and employees, it influences the steps taken in preparing for negotiations and the tasks carried out by labor relations staff members during the life of the collective agreement. The P/IR department in this case will place greater stress on sensitivity to others, consulting, process observation, conflict resolution skills, and knowledge of psychology and group behavior. On the other hand, companies that are concerned either with control of the administration of collective agreements

(Footnote 8 continued.)

ment and administration, 16 percent and for P/IR 22 percent.

<sup>9</sup> William F. Glueck, *Personnel: A Diagnostic Approach* (Dallas: Business Publications, 1974), p. 13.

<sup>10</sup> Stanley M. Herman, *The People Specialists*, (New York: Alfred A. Knopf, 1968).

<sup>11</sup> O. Jeff Harris, "Personnel Administrators, The Truth about Their Background," *MSU Business Topics*, Vol. 17, No. 3, (Summer 1969), pp. 22-29.

<sup>12</sup> Dalton E. McFarland, *Company Officers Assess the Personnel Function* (New York: American Management Association, 1967).

<sup>13</sup> R. E. Sproule and K. E. Loucks, "A Profile of the Personnel Practitioner," *Canadian Personnel and Industrial Relations Journal* (Nov. 1967), pp. 11-18.

<sup>14</sup> Larry Moore and Ron Longbottom, "B. C. Study of Personnel Managers: Preliminary Items of Interest," *Canadian Personnel and Industrial Relations Journal* (Nov. 1967), pp. 45-49.

<sup>15</sup> J. P. Siegal, D. A. Ondrack, and R. F. Morrison, "Education and Development of Employee Relations Staff: A Survey of Current Practices," *Canadian Personnel and Industrial Relations Journal* (March 1974), pp. 25-27.

<sup>16</sup> In a survey of the characteristics of personnel and industrial relations managers in Europe, it was found that 56 percent of the specialists were graduates. Of these, lawyers make up the largest category in Germany, Austria, France, and Spain. In Belgium and Switzerland, lawyers and economists are represented in roughly equal proportions. Economists predominate among the Italian respondents. Social scientists are the largest group in the Netherlands. See S. Rubenowitz, "Personnel Management Organization in Some European Societies," *Management International Review*, Vol. 8, No. 4-5, (1968), pp. 74-92.

<sup>17</sup> Max Von Zur-Muehlen, *Business Education and Faculty at Canadian Universities* (Ottawa: Information Canada, January 1971).

or oriented toward distributive bargaining will place a greater emphasis on objectivity, negotiation tactics and strategy, and legal acumen.

### Generalists v. Specialist Controversy

What represents a good background in P/IR? There are at least two schools of thought on this issue. Representatives of these two viewpoints feel that a graduate degree will equip the student with what is needed and will also bring the P/IR area closer to professionalism. However, one school of thought contends that in order to gain the knowledge and skills that are necessary to perform this function, specialization in the form of a master's degree in industrial relations is needed, while another school of thought argues that a general degree is more appropriate. While some in this latter school of thought advocate a master's of business administration (MBA) degree, others argue for a liberal arts background.<sup>18</sup>

The first school of thought is represented by Rezler.<sup>19</sup> He states that an MBA is too general in that it is designed to cover the whole spectrum of business. Rezler believes that it is necessary to have an intensive background in the P/IR area. His argu-

ment is supported by the findings of a recent survey of 242 major U. S. college and university MBA programs. These findings indicate that approximately 2.8 courses per school were offered in the P/IR area.<sup>20</sup> Even where more courses are available in this area, MBA regulations act to prevent a student from taking more than four courses in any one area of specialization. Such is the case at McMaster and the University of Toronto.

On the other hand, the second school of thought contends that the skills related to the P/IR function are not independent of the skills of management in general, but rather complementary to general management skills. The proponents of this viewpoint suggest that to emphasize education and training in the narrow "specialist" area does the function a disservice in that it isolates the management specialist from the overall goals and objectives of the firm. Lawrence Appley points out the problems of narrow-minded executives in the P/IR area. He indicates that the P/IR specialist should also, if not primarily, be interested in organizational goals for which he needs other management skills.<sup>21</sup> In general, this view is also corroborated by others.<sup>22</sup>

<sup>18</sup> While it is realized that the proponents of these two schools of thoughts are referring to managers rather than professionals or specialists as we have defined the terms in this paper, this distinction is not made in much of the literature. However, most of these are views equally applicable here.

<sup>19</sup> Julius Rezler, "Role of Industrial Relations Centres in the Education of Personnel Managers," *Personnel Journal* (January 1971), pp. 64-70.

<sup>20</sup> John A. Belt and James A. Richardson, "Academic Preparation for Personnel Management," *Personnel Journal* (May 1973), pp. 373-380.

<sup>21</sup> Lawrence Appley, "Management to Personnel Administration," *Personnel*, (March 1969), pp. 46-48.

<sup>22</sup> T. F. Hercus, "A Development Program for Personnel People," *Canadian Personnel and Industrial Relations Journal* (Sept. 1972), pp. 43-46. For others, see the Edinburgh Group Study Report in the U. K., reported in the article "A Modular Approach to Training," *Personnel Management*, Vol. 1 (July 1969), pp. 28-32; Lowry, "Industrial Relations Training: The Need for Action," *Personnel Management*, Vol. 3, (Oct. 1971), pp. 29-31; Howard M. Mitchell, "Selecting and Developing Personnel Professional," *Personnel Journal* (July 1970), pp. 583-589; Thomas L. Wheelan, "Graduate Business Education for Personnel Management Executives," *Personnel Journal* (Nov. 1970), pp. 932-934.

Malcom Denise<sup>23</sup> goes even further. He feels that a liberal arts background is more appropriate. Even though labor relations are becoming more and more far-ranging in scope, Denise feels that this complexity calls for competent generalists, with an ability to integrate and coordinate knowledge and action, in preference to the "how-to-do-it" sort of preparation which in his view is typical of many P/IR courses.

In our view, an MBA with a major in IR might be an alternative worth considering. Before we pursue this argument further, let us examine the availability of university programs in this field.

### Availability of University Programs in P/IR

According to Dan Ondrack: "Our surveys last year revealed that, [at] all universities in Canada, there were practically no opportunities for people to take degrees specializing in personnel and industrial relations. Even the few universities with graduate programs in labor relations, most often taught students to be researchers in labor economics and had very little to do with actual practice of labor relations. Consequently, even if persons wanted to major in P/IR at either the undergraduate or graduate level in Canada, they would have a very difficult time. The closest they could come would be to take courses in organizational behavior and labor economics plus whatever survey courses exist in personnel administration."<sup>24</sup>

The situation in the U. S. is quite different. There, a number of undergraduate and graduate programs exist that offer specialized training in

P/IR. However, enrollment in U. S. universities has decreased in this area.<sup>25</sup> There appear to be at least three reasons for this development. One, employers do not recognize a degree in P/IR as being useful; second, a person does not need a degree in this field to get a position in this area; third, universities are not providing students with what they are looking for in terms of the P/IR curriculum.

Thus, there are too few schools offering specialization in the P/IR area, and those that are offering these programs are not having much success. Even Rezler's own survey shows that only 14 of the industrial relations centers in the U. S. and Canada offer graduate degrees in the IR area.<sup>26</sup>

### Alternatives

We return to our earlier suggestion that one alternative might be an MBA with a major in IR. This is what we propose to do at McMaster University. In our view, it might be easier to revise the existing MBA programs, since there are several hundred MBA schools all over the U. S. and Canada, than to introduce new programs in view of the increasing financial constraints being put on universities in both the U. S. and Canada.

Beginning in September, 1975, our revised MBA program at McMaster University will be a two-year program of 20 courses offered both during the day on a full-time basis and in the evening on a part-time basis. The students will be able to major in either personnel or industrial relations with a choice of 9 out of 13 courses<sup>27</sup> in either field in their second year. The first year courses

<sup>23</sup> Malcolm L. Denise, "The Personnel Manager and his Educational Preparation," *Industrial and Labor Relations Review* (Oct. 1962), pp. 5-15.

<sup>24</sup> D. A. Ondrack, "Professional Training for Personnel/Industrial Relations," *Canadian Personnel and Industrial Relations Journal* (March 1974), pp. 13-17.

<sup>25</sup> *Ibid.*

<sup>26</sup> Rezler, cite at note 19.

<sup>27</sup> Some of these courses are: Personnel and Industrial Relations, Comparative Industrial Relations, Collective Bargaining, Labor Law, Economics of the Labor Market, Manpower Planning, Personnel Selection.  
(Continued on next page.)

will provide them with a general background in finance, accounting, economics, marketing, production management, statistics, and quantitative methods.

In our view, this program will give our students both the conceptual skills needed for general management and the technical skills needed of a P/IR specialist. We have also drafted a plan for a Ph.D. in the areas of labor relations and personnel, among others, for the approval of the University Senate.

If the content can be agreed upon, then the skills of current practitioners must be improved. Many are adults with families who cannot afford, even if they could be spared, to leave their jobs and homes to study on a university campus. Hence the need for part-time evening programs.

What about those who never made it beyond high school? One of the alternatives is graduate programs for nondegree applicants. For example, McMaster University's Faculty of Business admits a small number of highly qualified students who do not have a bachelor's degree. The qualifications are an admission test, a minimum number of years of successful administrative experience, and a minimum age of 27 years.

### **Need for On-the-Job and Off-the-Job Training Programs**

In addition to credentials, there is also a great need for on-the-job training and periodic updating of skills to keep up with new developments in this dynamic field. Recent studies indicate that this is already taking place. For instance, most companies pay from a minimum of 50 percent up to 100 per-

cent of the costs of courses related directly to company functions.<sup>28</sup> The employee relations staff is generally sent to functional courses on collective bargaining preparation, labor legislation, etc.

However, firms prefer on-the-job training, which usually consists of planned rotation through various parts of the employee relations department.<sup>29</sup> Other on-the-job training methods used are coaching and understudying. The reason for on-the-job training preference is obvious. It does not require a disbursement of funds. From an organizational point of view, it is an apparently inexpensive method of training. It also provides the trainee the know-how of the job.

### **Conclusion**

It seems that in view of some recent developments, there is a growing need for trained management specialists in industrial relations. The demand for specialized skills is determined partly by the prevailing labor relations philosophy of the enterprise and partly by examining the current profile of practitioners in this field. However, it is also argued that the management specialist in industrial relations needs general management skills in order to serve his "client firm" well and to be consistent with the goals of the enterprise.

On the supply side, inadequacy of academic programs that offer specialization in industrial relations, both in a qualitative and quantitative sense, is noted. Business programs which offer concentration in this area are recommended.

**[The End]**

---

(Footnote 27 continued.)

Compensation, Organization Development, Small Group Behavior, Organization and Individual Behavior.

<sup>28</sup> Harish C. Jain, "Education and Training of Managers in the Canadian Manu-

facturing Industry," *Canadian Personnel and Industrial Relations Journal* (January, 1975), pp. 30-34.

<sup>29</sup> Siegal, *et al.*, cited at note 15.

# Training of Labor Union Officials

By LOIS S. GRAY

---

Cornell University

---

UNION LEADERSHIP is perhaps the only major profession in the United States for which there is no established and generally recognized sequence of professional training. In contrast, leaders in business, agriculture, and government prepare for their roles in specially designed courses of study. Throughout their careers, they draw heavily on the many training resources, public and private, which have been developed for this purpose. Quality of training has been credited for the competitive edge of American business and agriculture facing foreign counterparts.<sup>1</sup>

Several hundred thousand part-time officers represent more than 18 million union members in the United States.<sup>2</sup> Most have no more than a high school education. They tend to enter the work force at age 18, become active in the union, run for local office in their late 20's, and achieve recognition through staff appointment in their 30's or 40's. A few move on to national office at an average age of 45.<sup>3</sup> There is obviously no place in this career pattern for the academic training characteristic of other professions.

<sup>1</sup> For example, J. S. Servan Schrieber credits American business ascendancy in Europe to U. S. emphasis on management education [cited in Derek Bok and John Dunlop, *Labor and the American Community* (New York: Simon and Schuster, 1970), p. 469]. American agricultural colleges along with Cooperative Extension facilities for farmers have long served as a model for developing countries.

<sup>2</sup> Seymour Lipset, in "Trade Unions and Social Structure II," *Industrial Relations*

Rarely is there a planned program of apprenticeship or internship which would prepare the union leader for increasing responsibilities. Nor do most unions provide related instruction in the skills and knowledge required for effective functioning as labor representatives. Union officials learn to cope in the school of hard knocks—on the picket line, in the shop, and at the bargaining table. Recruited from the ranks through a political selection process, they are thoroughly conversant with the needs and aspirations of the members they represent. This is essential, but it may not be the only qualification needed to perform the full range of functions expected of this important and demanding profession.

In the early history of unionization, courage and ability to articulate the view of working people were the major requirements of leadership. As unions have emerged into large-scale organizations, leaders function as administrators as well as spokesmen. Union administration is comparable to business management and public administration in skills and knowledge required. In addition, union officials are expected to provide the integrative and inspirational leadership which will har-

(February 1962); p. 93, reported a ratio of one full-time official to 300 members. In addition to officials functioning outside the work site, paid from dues dollars, union contracts provide for "lost time" reimbursement for full- and part-time representatives on the job.

<sup>3</sup> *Study of National Union Officials and Their Career Patterns*, Abraham Friedman, Doctoral Dissertation, University of Chicago, quoted by Bok and Dunlop, p. 55.

monize the interests of ethnically and occupationally divergent members and build solidarity toward common goals.

As collective bargaining becomes increasingly technical with ever widening scope and a proliferating range of benefits, union representatives must be conversant not only with the pay structure and economics of their own industry but also with economic developments on the national and international scene which influence wages and employment of their members. They must be in a position to appraise the relative merits of complex health, welfare, and pension plans. As trustees of such plans and guardians of dues dollars, they must be knowledgeable about returns from alternative forms of investment.

Increasingly, they must keep abreast of rulings from a vast array of government agencies which influence organizing, negotiating, working conditions, employment, safety and health, pension and welfare benefits, and union structure and government. To keep in touch with members dispersed in work site and residence, they must master new means of communication. Since bargaining strength is heavily influenced by political decisions, they must know how to get things done on the legislative front. As the voice of the working people, they have to keep up to date on the many political, social, and economic issues of concern to their members.

### Leadership Training

Derek Bok and John Dunlop, in their *Labor and the American Community*, conclude that leadership training is one of the principal challenges facing the

American labor movement. They state: "Society has already entered a world in which common sense and general intelligence are no longer sufficient to solve most problems facing large, complex organizations . . . . Unions will find themselves at a disadvantage in dealing with organizations which have the needed information and trained talent."<sup>4</sup>

Although more striking in today's world, the need for union leadership training is not new. In the past 70 years there have been many attempts to fill this void.<sup>5</sup> Early efforts were organized by political parties (the Rand School of Social Sciences founded by the Socialist Party and the Jefferson School by the Communist Party) and by liberal "friends of labor" with an interest in social reform. Notable were residential schools designed to prepare union activists for leadership roles—Commonwealth in Arkansas, Highlander in Tennessee, catering to unionists in the South, and Vineyard Shore and Bryn Mawr reaching women unionists in the North. Outstanding among these was the Brookwood Labor College in New York State, which turned out a cadre of union professionals credited with an important role in organizing the CIO.<sup>6</sup>

Early efforts by "friends of labor" were viewed with suspicion and even hostility by the established leaders of unions. The schools were pro-labor but not of labor. Brookwood was officially condemned by the AFL Executive Board for its "radical" tendencies. Eventually, recruiting and financial problems led to the demise of labor schools.

<sup>4</sup> *Ibid.*, p. 469.

<sup>5</sup> For a history of labor education in the U. S. and an analysis of trends, see Lois Gray, "The American Way in Labor Education," *Industrial Relations* (February 1966). For a comparison of U. S. and West European experience, see Alice H. Cook, and Agnes M. Douty, *Labor Education Outside*

*the Unions* (Ithaca, N. Y.: New York State School of Industrial and Labor Relations, Cornell University.)

<sup>6</sup> James Morris, *Conflict with the AFL: A Study of Craft Versus Industrial Unionism, 1901-1938* (Ithaca, N. Y.: Cornell University, 1958).

In the 1930s, the WPA put unemployed teachers to work in a massive program of labor education. While directed at unemployed workers rather than union staff, the WPA helped to create a permanent structure for union leadership education by training a corps of professional labor educators who subsequently found employment in unions and universities.

The post-World War II era brought universities into the field. The 22 graduate and 16 undergraduate resident degree programs in U. S. universities which offer specialization in Industrial Relations have failed to attract students from labor unions, and few of the graduates find employment in unions.<sup>7</sup> Labor education centers fill this gap. Established in 30 states, university labor education reaches union leaders and activists at the local and regional level. However, until recently, none has offered a comprehensive program of leadership development.

Harvard University's Graduate School of Business established in 1941 the first university program specifically designed to provide professional training for union officials. A counterpart to the renowned course for business executives, the Trade Union Program taps the expertise of Harvard faculty members in teaching labor law, union administration, collective bargaining, labor history, and economics by the case method. Originally offered on a nine months' basis, the course encountered recruiting problems and was cut to 13 weeks. It continues on a small scale, each year attracting 30 to 40 union

staff members, including government-sponsored foreign trade unionists.<sup>8</sup>

An alternative model of union leadership training was introduced by the National Institute of Labor Education in cooperation with Michigan, Cornell, and California Universities. With foundation financing, NILE sponsored a 13-week resident program for union staff. In contrast to the vocational or pragmatic orientation of the Harvard program, NILE seminars drew from the liberal arts in a deliberate effort to expose union leaders to the equivalent of a college education. Despite generous scholarship aid and favorable evaluations by participants, the program met with sales resistance and was dropped. Quantitative response from unions contrasts with business management support of university executive development programs.

### Union-Sponsored Training

In the past 20 years, several unions instituted programs of staff training, but few survive as a sustained year-round activity. The first such venture was the Training Institute established by the International Ladies Garment Workers Union. A pioneer in labor education, the ILGWU inaugurated official qualification courses as an eligibility requirement for union office at the local level.<sup>9</sup> As early as 1937, the ILGWU convention called for establishment of a "Labor College." President Dubinsky pointed to the aging leadership of unions, the failure to develop younger replacements, and the increasing need

<sup>7</sup> For example, only 2 percent of the graduates of the New York State School of Industrial and Labor Relations, Cornell University, the largest in the field, have found jobs in unions.

<sup>8</sup> For a comprehensive survey of university- and union-sponsored labor education programs, see Lawrence Rogin and Mar-

jorie Rachlin, *Labor Education in the United States* (Washington: National Institute of Labor Education at the American University, September 1968).

<sup>9</sup> Described in J. B. S. Hardman and Morris Neufeld, *House of Labor*, by Mark Starr, "Training for Union Service" (New York: Prentice-Hall, 1951).



for leaders equipped to meet changing developments.<sup>10</sup>

In 1950, the ILGWU Institute began to recruit and train young people for staff positions in the unions in a curriculum which included supervised field work as well as classroom instruction. Originally offered on a full-time 12 months' basis, the course was restructured and reduced to four weeks. Currently, ILGWU staff training programs are scheduled sporadically as the need arises.

In 1968 (the date of the only survey on this question), a total of 17 national unions reported some form of staff training, and union-sponsored staff training programs were conducted by 14 university labor education centers.<sup>11</sup> Almost all of these programs were short-term, one to two weeks in duration, and focused on issues relevant to union staff functions: arbitration, labor law, organizing, bargaining, health, welfare, and pension plans, and union administration.

A few unions attempted to provide a comprehensive program of staff development. For example, the UAW Leadership Studies Center aimed to reach the entire staff of the union and, during the period of its existence, came close to this goal. Innovative in teaching methodology, the UAW program focuses on a "simulated union" exercise which challenged staff to resolve problems of bargaining, internal administration politics, and relations with other unions and the community.<sup>12</sup> Programmed instruction in the union's health insurance and welfare agree-

ment and exercises for improving reading skills were additional features of the program. At its peak, the Leadership Studies Center employed five full-time teachers and operated year-round. Currently, the function of staff training has been absorbed by the Education Department. As in the ILGWU, staff education sessions are scheduled as the need arises.

The Teamsters Union inaugurated a Leadership Studies Center in Miami, Florida, which functioned for two years, employed a faculty of eight full-time professionals, and reached approximately 2,000 business agents.<sup>13</sup> For several years, the Steelworkers Union offered a program to its full spectrum of leadership with a heavy focus on economics.

The American Federation of State, County, and Municipal Employees (AFSCME), facing an explosion in membership growth and an expanding staff, developed a staff training program which relied heavily on field work experience. The Retail Clerks International Union also instituted a planned program of internships.

The liberal arts orientation of the Communication Workers was perhaps the most unusual of the union-sponsored staff training programs. While all of the other union staff programs concentrated on skills and knowledge directly related to everyday responsibilities of union officials, the CWA exposed new staff members to 12 weeks of academic instruction on university campuses with a "deliberate attempt to get different points of

<sup>10</sup> U. S. Department of Labor, Bureau of Labor Statistics, *Case Studies in Union Leadership Training*, Bull. No. 1114 (1952).

<sup>11</sup> Rogin and Rachlin, p. 84.

<sup>12</sup> Brendon Sexton, "Staff and Officer Training to Building Successful Union," *Industrial Relations* (February, 1966). After the staff

training center was phased out, the simulated union exercise served as the focus of the UAW's year-round Family Education Program for local union activists at Black Lake, Mich.

<sup>13</sup> Interview with Bill Goode, former director.

view.”<sup>14</sup> Job related skills were imparted through an additional three months of training at the union headquarters and in the field. In recent years, liberal arts courses have been replaced by sensitivity training and management by objectives, subjects which are also popular in training for business management. None of the union-sponsored programs introduced in the 1960s is offered in the same form today.

### Obstacles to Training

Why have most union staff training programs been discontinued or curtailed? What accounts for the fact that unions lag behind other institutions in our society in their interest in leadership education? In the absence of an in-depth study, one can only speculate on the reasons. Al Nash, an experienced labor educator and Cornell colleague, attributes resistance to leadership education to the traditionalism and insularity which characterize union behavior.

Traditionalism, orientation to past struggles, insularity, and an in-group feeling are sources of union strength and solidarity. Education and training are tools of change which run counter to these tendencies.<sup>15</sup> An alternative, but not necessarily conflicting, explanation for the low priority given to leadership education may be found in the structure of unions and the political nature of the staff selection process. In contrast to business and government, unions have not established a deliberate system of organizational rewards for technical expertise or proficiency.

<sup>14</sup> Bud R. Hutchinson, "Breakthrough in Staff Training," *Federationist* (February, 1964).

<sup>15</sup> Al Nash, "What's Wrong with Workers' Education?" speech at the annual conference of Local 189, American Federation of Teach-

In any case, this picture may be changing. Growing support for professional education is evidenced in response to the recently inaugurated leadership training efforts of the AFL-CIO and the academic community.

For three years, the AFL-CIO Labor Studies Center has been offering seminars for union officers with strong backing from the AFL-CIO Executive Board and most of its affiliated unions. Currently, the Center attracts an annual student body of 1,500 staff members to a wide range of programs encompassing both "bread and butter" skills, such as arbitration, collective bargaining, and labor law, and broader social policy issues, such as ecology, foreign policy, and individual and minority rights. In addition to its inter-union offerings, the Center designs special programs upon request by national unions. Response to the Center's program, particularly from unions which had never previously evidenced an interest in labor education,<sup>16</sup> is an encouraging sign.

### Winds of Change

Winds of change are also sweeping through the academic community. In the past five years there has been a surprising growth in labor-based college degree programs. In response to University Labor Center long-term certificate programs, labor students, mostly actual or aspirant leaders, have begun to demand college credit. This represents a sharp break from the past. Unionists have not responded to resident industrial relations degree programs, nor have they joined the growing stream of participants in adult

ers, 1972, and Al Nash and May Nash, *Labor Unions and Education*, University Labor Education Association Monograph Series, No. 1 (June, 1970).

<sup>16</sup> Interview with Fred Hoehler, Director, AFL-CIO Labor Studies Center.

degree programs. Blue-collar workers and their representatives have been conspicuous by their absence from such innovative programs as the British Open University and the U. S. College Without Walls.

What seems to have caught hold is part-time college with academic recognition for courses with a labor orientation, both in subject matter and style of teaching. At least 25 colleges and universities in the U. S. currently offer part-time undergraduate majors in labor studies catering to union officers and members.<sup>17</sup> The largest is the Labor College in New York City with approximately 1,000 students. A joint undertaking of Empire State College and Cornell's ILR School, the Labor College was brought into being through an intensive political campaign by labor students in Cornell's non-credit labor education

classes and is strongly backed by the city's unions.

In California, Iowa, New Jersey, Illinois, and Michigan, expanding networks of labor degree programs are developing through the community colleges. They have the advice of university labor education center personnel and union advisory committees. New on the scene is an external degree program developed by the AFL-CIO Labor Studies Center in cooperation with Antioch College. Full-time union officials complete most of their work in home study.

Throughout the United States, several thousand labor students currently pursue a college degree with a major in labor studies. Among these are many present and future union leaders. Will these new programs go the way of the old? It is too early to tell.

[The End]

## Some Third Thoughts on Graduate Industrial Relations Programs

By JEAN SEXTON\*

---

Université Laval, Quebec

---

**C**ONCERNS ABOUT graduate industrial relations<sup>1</sup> programs (GIRP's) have existed ever since their relatively recent birth.<sup>2</sup> You

<sup>17</sup> Survey conducted by the author for the University and College Labor Education Association.

\* I would like to thank Professors Jean Bernier, Jean Boivin, Bertrand Berzile, Rodrigue Boluin, Gérard Doin, Gilles Laflamme, and Alain Larocque of the Department of Industrial Relations, Université Laval, and Mr. Jacques Mercier and Yves Legris, graduate students in the same department, for their helpful and construc-

may say that such questioning is surely normal; however, these concerns have been more than a continuing examination. They have basically reflected many of the IR field's main problems characterized by a persistent negativism and a clear in-

tive comments and suggestions on this paper. Points of view or opinions stated here do not, however, necessarily represent the official position or policy of the Department of Industrial Relations, Université Laval.

<sup>1</sup> I define industrial relations as all aspects of the world of work.

<sup>2</sup> Caples indicated that most graduate curricula in IR originated after 1950, except  
(Continued on next page.)

feriority complex vis-à-vis the so-called traditional disciplines. IR is a field in search of identity. IR is complex, multi- and/or interdisciplinary. It raises little consensus with regard to basic issues such as affiliation, curriculum, approach,<sup>3</sup> or institutional arrangement. IR integration is needed. "Theorizing is still at an incipient stage."<sup>4</sup> These are all factors that have influenced and set the tone for discussions about GIRP.

There has not been much discussion as to whether or not GIRP's should exist. At least, there seems to be a consensus among IR people as to their existence. However, there is much discussion and lack of consensus as to the hows and many of the whats and wherefores. The purpose of this paper is not to give any precise answer or to offer any overall solution to such a problem. It is also not intended to evaluate or to describe existing GIRP. Rather, it seeks to present some reflections on what I feel are the two basic issues underlying the discussion of GIRP's: the objective and the approach to GIRP's.

Time and resources did not allow an overall survey of existing GIRP's and did not permit discussion with many IR people except for some colleagues at Université Laval. Much of what is said here is therefore based

on my particular and very limited experience both as an undergraduate and as a graduate student in IR and as a young inexperienced faculty member in a French-speaking setting. This paper therefore is not definitive.

## Objectives of Graduate Industrial Relations Programs

Heneman's 1958 judgment that IR education was characterized by its fuzzy objectives<sup>5</sup> is still largely applicable to GIRP's in 1975. Indeed, as with most manpower programs, GIRP's "seldom have a clearly defined single objective or even one dominant objective," to use Cain and Hollister's expression.<sup>6</sup> Moreover, when broad objectives are stated, the 1973 ILO survey shows that they vary considerably from one place to the next.<sup>7</sup>

Discussing objectives of any education function may be difficult. Chains of objectives may exist and differences in operationalization may be present. This is why I have chosen here to approach the question of the objectives of GIRP's in terms of general orientation.

As for university education, two very different orientations, forming the ends of a continuum, may be identified as GIRP objectives. I have called them the technical orientation and the

(Footnote 2 continued.)

for a few that existed prior to 1940. W. G. Caples, "A Survey of the Graduate Curriculum in Industrial Relations," in *IRRA Proceedings*, ed. G. G. Somers (Madison: Industrial Relations Research Association, 1958), p. 225.

<sup>3</sup> G. G. Somers, "Preface," in *The Role of Industrial Relations Centers* (Madison: International Industrial Relations Association, August 1968), p. v.

<sup>4</sup> G. G. Somers, "The Integration of In-Plant and Environmental Theories in Industrial Relations," in *International Conference on Trends in Industrial and Labor*

*Relations* (Jerusalem: Jerusalem Academic Press, 1974), p. 388.

<sup>5</sup> H. G. Heneman, "Appraisal of Education in Industrial Relations," in *IRRA Proceedings* (Madison: Industrial Relations Research Association, 1958), pp. 237-242.

<sup>6</sup> G. G. Cain and R. G. Hollister, "Evaluating Manpower Programs for the Disadvantaged," in *Cost-Benefit Analysis of Manpower Policies*, eds. G. G. Somers and W. D. Wood (Kingston: Industrial Relations Center, Queen's University, 1969), p. 122.

<sup>7</sup> International Labor Office, *Labor Relations Institutes: Structure and Functions* (Geneva: ILO, 1973), 169 pp.

academic orientation. Let us examine very briefly each of these extremes.

### The Technical Orientation

According to this orientation, the ultimate objective of a GIRP is to satisfy the immediate needs of the market for IR specialists. Here the job market for IR products is the main transmission gear of a GIRP. I do not agree with such an orientation because it raises serious dangers for the study of IR and it may even be self-contradictory.

As for dangers, let us note first that with such an orientation a GIRP may be subordinated to the immediate and even the short-run needs of the job market for its product. Such a subordination may imply that less importance is given to long-term concern and issues,<sup>8</sup> that curricula would lag behind reality instead of provoking evolution and innovation, and that many independent variables are neglected. A second danger may be that under such an orientation more emphasis is given to techniques, "recipes," and "how-to-do-it" kits.

Such a technical orientation for defining GIRP objectives may even be self-contradictory. First, under this orientation, a GIRP would try to give students the specific qualifications needed for the practice of IR in the market, even though the literature on human resources development insists on the absence of rigid links between occupational functions and educational preparation.<sup>9</sup> The variety of occu-

pational functions is so vast that it becomes nearly impossible to give such market-oriented qualifications in less than five, six, seven, or eight years. If such necessary time was taken, problems of student recruitment (so important for justifying the existence of teaching organizations) would be serious, for IR would require much more time than other programs do.

The technical orientation for defining GIRP may be self-contradictory in another sense. Indeed, employers gave indications that they hire an individual and not a degree.<sup>10</sup> If in a given amount of training time GIRP's put more emphasis on technique acquisition than on individual development, such programs may then completely miss the boat.

### The Academic Orientation

The other end of the continuum is characterized by the academic orientation for defining GIRP objectives. Under such an orientation, a GIRP would show absolutely no concern for market openings. Requirements for its students would focus solely on the individual's mind and mental equipment, on access to a wider culture, and finally on a greater freedom.<sup>11</sup> There are advantages and disadvantages to such an orientation. *Grosso modo*, one may perhaps admit, and especially if he is a job market oriented person, that the main disadvantages of this academic orientation are identical to the advantages

<sup>8</sup> Milton Derber raised a somewhat similar problem as far as research in IR is concerned. See his "Changing Patterns of Research in Industrial Relations Centers," in *The Role of Industrial Relations Centers*, cited at note 3, pp. 43-48.

<sup>9</sup> For example, H. S. Parnes, "Educational Requirements for the Development of Human Resources Specialists," in *The Production of Manpower Specialists: A Vol-*

*ume of Selected Papers*, ed. John R. Niland (Ithaca: New York State School of Industrial and Labor Relations, Cornell University, 1971), p. 86.

<sup>10</sup> For example, Caples, *op. cit.*, p. 226; Parnes, *op. cit.*, pp. 86-88.

<sup>11</sup> See Jacques de Chalendar, *Une Loi pour l'Université* (Paris: Desclée de Brouwer, 1970), pp. 49-64.

of the other orientation. Such a discussion may seem futile, for it is as if one must entirely adopt one or the other orientation. But this is not necessarily the case.

Indeed, as in many IR situations, the truth may lie somewhere in between. The choice of the ideal position on the continuum may vary in time and space depending upon ideologies and constraints. As far as I am concerned, I tend toward the academic orientation, but with IR preoccupations.

In my mind, the objective of graduate studies in IR is to form individuals able to perceive, understand, and analyse industrial relations and to imagine ways to ameliorate their functioning. In my mind, graduate students essentially are producers of research results, whereas undergraduates are consumers of research results. This implies that the graduate product be equipped with a solid theoretical and methodological background and with a good sense of analysis, criticism, and synthesis.

This requires many things. First, the individual involved in a GIRP must be required to cover all aspects of IR, that is, all the independent variables pertaining to the world of work. Secondly, it implies that residence requirements of a GIRP be defined in relation to the time needed by each individual to really study IR, and not, as is the case in many GIRP's, in relation to job market or student recruitment objectives or some arbitrary decision.

In my mind, it may be very difficult to build a genuine IR man in two or three years, whether it be for practice or for teaching and research. The number of independent variables

under study is so large that one must take the time to go around the garden. To be an IR man, you have to think IR. To think IR, you must take the time to go around the garden.

I firmly believe that a "technical" orientation for defining objectives of GIRP's may not be a good way to work at the development of human resources at the graduate level in IR. An "academic" orientation, with a strong desire to cover all aspects of IR—to form IR men who think IR—would seem to be preferable.

### **Approach to Graduate Industrial Relations Programs**

What are the implications of such an orientation for defining objectives in the approach to GIRP's? A detailed and operationalized answer to this question may be difficult, for there are differences in time, space, and constraints between each provider of GIRP and because, "there is no one method or one technique of teaching industrial relations,"<sup>12</sup> especially in an individual-oriented approach. However, some general comments may be made on at least three issues: the myth of the discipline, the generalist-specialist debate, and the practice or research orientation of a GIRP.

#### **The Myth of the Discipline or the Discipline Traumatism**

For many, the ideal IR man is a person with a solid grounding in one of the so-called "prestigious" disciplines. Such a way of thinking might have been justifiable some years ago, but I do not feel that it is any more. Indeed, the first and part of the second generation of IR specialists could not be IR products for an IR

<sup>12</sup> J. Y. Taab, "Innovation in Industrial Relations Theory and Teaching Industrial Relations—Plenary Remarks," in *Interna-*

*tional Conference on Trends . . .*, cited at note 4, p. 382.

curriculum either did not exist or, if it did, was not as well equipped as were the "prestigious" disciplines. The situation may be different today, however. With the production of what Heneman calls "the new breed of cats,"<sup>13</sup> that is, the IR man and the increasing willingness of younger people to think IR, this disciplinary approach to IR may be *dépassé*.

I do not feel that it is necessary for an IR graduate product to have a home port in one of the "prestigious" disciplines. Indeed, this mother-discipline approach has brought some problems to GIRP's. First, such an approach does not facilitate genuine interdisciplinarity<sup>14</sup> in that it may bias the study of IR in favor of one particular aspect—for example, economics. Second, it may be an obstacle to integration (to a certain extent the challenge of a GIRP) and the building of a common conceptual framework. Finally, it may wrongly give the impression that other social or human "sciences" are without problems of their own.

I do not feel it is necessary to be a specialist in a discipline to be interested in that discipline and to be able to use some of its tools for the study of IR. Interdisciplinarity in IR, as mentioned by Derber, "does not only mean the development of interdisciplinary teams, but the development of interdisciplinary researchers."<sup>15</sup> I would also add interdisciplinary individuals.

In practice, such interdisciplinary programs do not mean simply a sum-

mation of courses and activities. It should mean that individuals studying IR are brought to the point where they continuously use an interdisciplinary approach to the study of any IR phenomenon. This means that the 1975 IR man should be "global in orientation rather than imperialistic and technical in outlook."<sup>16</sup>

### The Generalist-Specialist Debate

There is no need to recall this debate here. It is well documented and very present in our literature. The main question is here: Are we to form generalists or specialists in IR?

According to the approach taken in this paper, the answer is easy. It is my feeling that specialization in IR is possible and desirable only after the individual has taken the time to cover all the independent variables pertaining to the study of IR—in other words, specialization after generalization only.

This has many implications for GIRP's. First, it means that residence requirements must not be standard but be in direct relation with each individual's needs. Second, if residence requirements are too long, this may very well have a negative impact on student recruitment and on the existence of schools, departments, or institutes. But these dangers may very easily be overestimated. Indeed, the new generation of students interested in IR may be much more interested than is generally thought in taking the time to go around the garden.

<sup>13</sup> H. G. Heneman, "Contributions of Industrial Relations Research," in *The Role of Industrial Relations Centers*, cited at note 3, p. 56.

<sup>14</sup> On interdisciplinarity, one may refer to OECD, *Interdisciplinarity: Problems of Teaching and Research in Universities* (Paris: OECD, 1972); K. Laffer, "Is Industrial Relations an Academic Discipline," *Journal of Industrial Relations* (Australia: 16 March 1974), pp. 62-73; E. Gosselin, "Perspectives

Nouvelles des Relations Industrielles," *Relations Industrielles* 22:2 (1967), pp. 153-184. I am grateful to Professor François Delorme of the School of Industrial Relations, Université de Montréal, for having brought these references to my attention.

<sup>15</sup> Derber, *op. cit.*, p. 48.

<sup>16</sup> John R. Niland, "Preface," in *The Production of Manpower Specialists*, cited at note 9, p. xix.

## Practice or Research?

GIRP's generally produce two types of degree holders: M.A.'s and Ph.D.'s. Recently in the U. S., as mentioned by Stieber, there has been "a trend towards emphasizing study for the Ph.D. degree and down-grading Master's degree programs."<sup>17</sup> This trend is much less clear in Canada. Moreover, M.A.'s have been associated with practice and Ph.D.'s with research and teaching. Finally, although production functions may differ between the IR scholar and the IR practitioner, it seems that the market is segmented for these two types of degrees.

Such observations and the often mentioned "technical" orientation in IR teaching may very well make GIRP's self-destructing to a certain extent. Indeed, in many GIRP's that I know, M.A. and Ph.D. students take the same courses together, the only difference being one of residence. This means that perhaps too much attention is given to practice and not enough to research.

It would seem to me that the practice-research debate is a false problem. GIRP programs should aim at giving the individual the necessary tools to study and understand IR. Whatever he does afterwards with such tools (practice or research-teaching) is an individual decision. What is important here is methodology, or teaching the individual how to fish. One problem remains in my mind: Under this approach, I wonder whether there is still a place for nonthesis Master's programs.

## Conclusion

The main thrust of this paper has been that a GIRP should aim more toward providing the individual with tools to enable him to better study and understand all aspects of the world of work. GIRP's have been presented as research and methodology programs, as truly interdisciplinary at the individual level, and as requiring time to examine all independent variables before specialization.

Many problems and issues have not been discussed here, such as institutional arrangements, curriculum, requirements of all sorts, or theoretical background. All of these problems are important for they may have an impact on a GIRP; but I feel a certain consensus is needed on objectives and approach before proceeding to further discussion.

Coordinates are changing; that is why I remain optimistic. The young IR generation does not have to fight as much as its predecessors for the recognition of IR. Moreover, common denominators of interest are developing, and many are thinking IR.

In our postindustrial societies, inter- and/or multidisciplinary is not unique to IR. Indeed, monodisciplinary is losing its foothold in many fields, not to say in all of them. However, by the interdisciplinarity it requires, by its own dynamics, and by its continuous self-examination, IR may very well set the stage of the "première" of a reflection the university as a whole and many of its components will soon have to make. I am eager to see the "encores."

[The End]

---

<sup>17</sup> Jack Stieber, in *The Role of Industrial Relations Centers*, cited at note 3, p. 13.



# The Training of Labor Relations Specialists: a Discussion

By MARCIA L. GREENBAUM

---

## Arbitrator

---

IT USED TO BE THAT THE SHORTAGE of arbitrators was analogous to the weather—everybody talked about it, but nobody did anything about it. Robert Stutz's paper is a new verse for an old refrain. As early as January, 1948, Professor Edwin E. Witte told the first annual meeting of the National Academy of Arbitrators that "the further progress of industrial arbitration" depended in large measure upon the development of a "larger group of qualified and experienced arbitrators."<sup>1</sup>

This was echoed by Arnold M. Zack in 1960, when he was a neophyte arbitrator. In a report to the NAA entitled "An Evaluation of Arbitration Apprenticeships," he said: "These dual criteria of qualification and experience were, and continue to be, the keynote of the problem faced in expanding the ranks of arbitrators. Many would-be arbitrators with creditable experience in their own occupations and with apparent qualifications for service as arbitrators have offered themselves to the parties. Comparatively few, however, have succeeded in acquiring the practical experience

in arbitration which is essential for their acceptability to companies and unions."<sup>2</sup>

As Mr. Stutz has indicated, in the last few years a number of training programs have been undertaken by a variety of groups, some tripartite, with varying degrees of success. While such training has helped answer the qualification aspect, acceptability is still a problem.

During calendar 1973, the American Arbitration Association had 1,800 national labor arbitrators (whose average age was about 60) on its panel. However, only about one-third of the 1,800 heard any cases from the AAA during that year, and of these, 430 had five or less cases. Of the 600 or so arbitrators who heard any cases at all, 135 were over 65 years of age. Only 54 were under 40, and only 23 under 30 years of age. (The National Academy of Arbitrators has no members under 30.) More importantly, only 51 of 1,800 arbitrators had 24 or more AAA cases in 1973, an average of two per month, which is not enough to sustain a full-time arbitrator.<sup>3</sup>

## Pig in a Poke

Thus, the most difficult part of being an arbitrator is becoming one,

---

*or Arbitrators* (Washington, D. C.: BNA, Inc., 1960), pp. 169-176, at 170.

<sup>3</sup> Statistical data on AAA panel members obtained from Joseph Murphy, Vice President of the American Arbitration Association.

<sup>1</sup> "The Future of Labor Arbitration—A Challenge," *The Profession of Labor Arbitration, Selected Papers From the First Seven Meetings of the National Academy of Arbitrators, 1948-1954* (Washington, D. C.: BNA, Inc., 1957), p. 11.

<sup>2</sup> *Challenges to Arbitration, Proceedings of the 13th Annual Meeting, National Academy*

which I define as being hired by the parties. It is well known that parties, meaning labor unions and employers, are reluctant to hire an arbitrator with little or no experience. "Catch 22" for the aspiring arbitrator is that she or he cannot acquire any experience unless the parties select her or him. As one company representative told me when I was starting out, upon someone's suggesting he employ me: "I won't buy a pig in a poke."

Despite this, newcomers are entering the field and in increasing numbers. NAA membership was increased from approximately 300 in the early 1960's to 438 in 1975 (although there are only six blacks and five women members). Also, in the early 1960's, the average age of members was approximately 52. A recent NAA survey indicates that the average age some 15 years later is 58.4. Ergo, either some of us are getting younger or newcomers are making the breakthrough.

Assuming knowledge of industrial and labor relations and training in arbitration, both theoretical and practical, there are two other necessary steps to becoming an arbitrator—first, visibility, and second, acceptability. There is a big jump between them. Some have made it by crossing to the center from the ranks of labor or management and spending a period of neutralization by working in government or academia. Others have accomplished it by publishing, speaking, teaching, attending conferences in the field, or attending arbitration hearings with other arbitrators (at least those who do not feel a hand in their pocket). Some do it, as one outsider said in a recent article, by

demonstrating a commitment to impartial dispute settlement, not just a wish "to pick up a few extra dollars moonlighting."<sup>4</sup>

### Land of the Blind

Still, the road is a difficult one, as Willis J. Nordlund demonstrates in his outsider's view of the process. And once one has one's foot in the door there is the problem voiced by Myron Roomkin in a piece entitled: "The First Case: Or, the One-eyed Man in the Land of the Blind."<sup>5</sup> In that amusing article, he documents his first case, which also happened to be the first case of the respective parties. He found them ill-prepared and ill-informed.

This brings me to a brief discussion of the other papers. Harish C. Jain certainly makes a good case for the need for training of management specialists in labor relations. He espouses general business training with specialization in labor and industrial relations for the professional, and I agree.

But I think that this does not go far enough, because many parties do not hire professionals. In fact, in my experience, there is the beginning of a return to employing as a labor relations practitioner the man or woman in the shop, the so-called "shop lawyer," to bring arbitration back to an informal process and the level it was originally intended to serve. Thus, the question also is how do we train these union and management people, and those who will find themselves thrust into these positions.

This problems exists most notably in the burgeoning public sector for example, city and town managers, police and fire chiefs, school boards and superintendents, and their counterpart em-

<sup>4</sup> Willis J. Nordlund, "The Arbitrator Development Process: An Outsider View," *The Arbitration Journal*, Vol. 30 (May 1975), pp. 34-41, at 41.

<sup>5</sup> *The Arbitration Journal*, Vol. 30 (May 1975), pp. 42-48.

ployee bargainers. Shouldn't schools of public administration and education have some responsibility for training in labor relations as well as in personnel administration and finance? I think so. Most public jurisdictions now have some bargaining laws, and those that do not are likely to find themselves with such a law or laws in the near future.

### **Difference in Training**

In her paper, Lois Gray has pointed out the limited number and nature of programs to train union leaders and officials until just recently, and the need for more. I think, however, we should recognize a difference between training management and labor (union) specialists. Labor still is suspicious of intellectualism and usually does not look outside its ranks for leaders or specialists (except for labor attorneys). Thus, while one can train neophytes for management positions and place them in such jobs, to reach union people one largely has to train already established or up-and-coming union staff and

officials. Even then, the training must be mostly for their current positions.

Finally, with respect to Jean Sexton's paper on Graduate Industrial Relations Programs, my own experience biases me in favor of an academic program combined with some technical orientation, at least for the expectant practitioners. I pursued such a course of study at the New York State School of Industrial and Labor Relations at Cornell University as both an undergraduate and graduate student and find it has served me well, at least to date. Will it serve me and others as well in the future with computer bargaining and all that? That remains to be seen.

It is noteworthy that this panel is composed almost entirely of academicians, those who do the training of specialists. Perhaps, at a future meeting, it would be interesting to have the practitioners tell us how they think labor relations specialists should be trained, or at least where they think we should go. **[The End]**

---

## SESSION II

# Health and Safety Programs: Industrial Relations Prospectives

## OSHA and Workers' Compensation: Some Thoughts on Fatalities

By PETER S. BARTH

University of Connecticut

**T**HE PASSAGE of the Occupational Safety and Health Act of 1970 (OSHA) provided Americans with a hope that improved conditions of work would become available to all workers. While it may yet be too early to scrupulously evaluate the programmatic aspects of the law, it may be time to examine a significant, but somewhat less compelling, feature of the law—the reporting of accidents and illnesses. For the first time in history, the public can expect to receive rather precise, if not definitive, data on the extent to which the worker risks his physiological well-being while at the workplace.

While data on injuries and illnesses will eventually provide such a picture of the risks, a number of areas of vagueness necessarily will obscure a complete understanding of the dimensions of the problem. Not the least of these problem areas is the one that attempts to describe the extent of disability. Quantitative measures of sever-

ity will always be subject to certain ambiguities. Because one area of reporting that is probably less likely to be difficult to interpret is that of fatalities, particular attention should be given to it as a measure of the health and safety of the workplace.

More importantly, however, while the public appears to be less than agitated by reports of injuries and illnesses arising out of employment, there does appear to be considerable concern evoked by fatalities, as in the recent disclosures linking vinyl chloride and angiosarcoma. Thus, data on deaths should be viewed as an important catalyst that can focus public opinion and government activity on particular problem areas. For that reason as well, fatality data should be developed and reported with greater emphasis and care than those dealing with less serious impairments.

Surprisingly little is known about job-related deaths, including even the seemingly simple question of how many

occur annually. Prior to the reporting that developed out of the OSHA, the most widely quoted estimates were those derived by the National Safety Council (NSC) from extrapolations of regionally limited, voluntarily collected samples in the Bureau of Labor Statistics' (BLS) Z16 program. While an alternative source of estimating could have been the various state workers' compensation agencies, I know of no publicly reported efforts to collate available state data from these sources. Even now, it would appear to be both laudable and feasible goals of the Inter-agency Task Force on Workers' Compensation to use its prestigious offices to request that all states report their estimates of the number of new death cases handled in a calendar year.

### **Disparities Between BLS and NSC Data**

Estimates of work-related deaths by the National Safety Council have become somewhat less significant since OSHA-BLS began the publication of such data. Some disturbing features of the two systems are the apparent disparities that emerge from them.

"The BLS estimate of 5,500 excludes farms, mines, railroads, and government and thus it is not directly comparable with the estimated 14,100 work-related deaths reported by the National Safety Council (NSC) for all industries in 1972. If the NSC estimates for the excluded industries and the self-employed, however, were added to the BLS' fatality estimate, the BLS figure for 1972 would be raised to approximately 11,000 deaths."<sup>1</sup>

No explanation is given for the difference between 11,000 and 14,100 as

reported by the two organizations. Presumably, the reader can make a choice based upon the respective reputations of the two. While a difference of up to 28 percent is significant enough to be disturbing, it is trivial when viewed in relation to the now oft-quoted speculation that appears in the first volume of the *President's Report on Occupational Safety and Health*.

"Based on limited analysis of violent/non-violent mortality in several industries, there may be as many as 100,000 deaths per year from occupationally caused diseases."<sup>2</sup> While the *Report* does not attempt to give a minimum estimate, nor does it cite a likely point estimate, it would hardly appear to square with the OSHA-BLS figure of 11,000 deaths due to both diseases and accidents.

Almost without argument, one must accept that there is substantial under-reporting of the true extent of occupational illnesses or diseases that result in fatalities. Report #412 of the BLS indicates that occupational diseases need not be reported if they were contracted and diagnosed before July 1, 1971, even though the fatality does not occur until after that date.<sup>3</sup> Thus, some current deaths are simply not reported though the employer is aware of the occurrence. Further, the BLS acknowledges a problem: "As far as the summary at the end of the year goes, and for any statistical reports, fatalities that should be reported are those that occurred by the time the summary was made and by the time the statistical report was filled out. In the event a death attributable to an illness or injury previously recorded on the log should occur, a change would

<sup>1</sup> U. S. Bureau of Labor Statistics News Release, 74-200, May 2, 1974, p. 2.

<sup>2</sup> *The President's Report on Occupational Safety and Health* (Washington: Government Printing Office, May 1972), p. 111.

<sup>3</sup> U. S. Bureau of Labor Statistics, Report #412 (Revised), *What Every Employer Needs to Know About OSHA Recordkeeping* (Washington: Bureau of Labor Statistics, 1973), pp. 6-7.

be made on the log, but the case would never get into the summary, and it would not get into the statistics. This is a weakness that could not be avoided. The Bureau recognized that it would lose some fatality reporting, but the decision was made that in terms of simplicity, it had to be done this way."<sup>4</sup>

Another obvious problem occurs in the case of occupational disease, where a worker is diagnosed as suffering from a problem contracted in an earlier employment, perhaps in a different occupation and/or industry. Even if the worker and his physician believe that the problem is occupationally related, the current employer could hardly be expected to list such incidents that may have resulted from exposures decades ago in his own record.

### Problems of Etiology

Another set of familiar problems arises from the matter of etiology. The issue is larger than simply tracing the job-relatedness, if any, of a specific illness, such as the problem of establishing the causal elements in cardiovascular attacks. It extends as well to the problem that certain occupational diseases contribute to the undermining of one's health or life in conjunction with related ailments. Thus, occupationally induced respiratory illnesses may give rise to or interact with other ailments that may ultimately be shown as the cause of death.

While evidence on this point must necessarily be somewhat indirect, it seems amazing to me that for 1973 only 300 fatalities were reported by OSHA-BLS for coal, and metal and non-metal mining activities. This figure includes deaths due both to accidents and to illnesses. While 300 deaths are not a trivial matter, there is little room in an estimate of this magnitude for the thousands of cases of persons with

dust-induced diseases who are or were so clearly disabled through their employment as to reduce their expected span of life.

While existing estimates of fatalities due to occupationally related illness and disease are of questionable value, the argument here is not that the task is an impossible one. Rather, due to the substantial lag in some cases between exposure and symptoms, to problems of etiology, to ambiguities arising out of diagnoses, and to the problem that impairment from one illness can increase the likelihood that others will develop, the current employer-based reporting system offers little hope that more accurate measures of occupational deaths from disease will be implemented. Almost certainly, the more reliable estimates will need to arise eventually out of epidemiological work and involve certain presumptions based on as yet inadequate understanding of how exposure and personal characteristics interact so as to contribute to illness and death. Until that time, estimates of job-related fatalities that include those resulting from diseases will necessarily be highly suspect, and almost certainly contain a downward bias.

The major problems noted thus far associated with OSHA-BLS reporting in the area of fatalities appear to be due to the identification of work-related illnesses or diseases that cause death. However, there are grounds for being somewhat wary about unconditionally accepting estimates of deaths due to accidents. Clearly, one of the problems that exists can be overcome if some effort is made to centralize reporting of all work-related deaths even if certain sectors fall outside of OSHA coverage. Currently, data reporting excludes many state and local employees and for some sectors the BLS is de-

---

<sup>4</sup> *Ibid.*, p. 71.

pendent upon other government agencies for its estimates.

Of some tentative concern also is the disparity in estimates of deaths reported on the micro level. Because the OSHA-BLS reporting system is so new, an effort is being made to corroborate estimates of fatalities reported there with other sources. For example, the annual report of Connecticut's Workmen's Compensation Commission and the data pulled from the decentralized files in the State's seven regional offices indicated preliminarily some differences from the OSHA-BLS data.<sup>5</sup> While the OSHA-BLS data indicated 34 fatalities in Connecticut in 1972, the annual administrative report of the state's workmen's compensation agency indicated there were 78 job-related fatalities that year. Moreover, files on 64 cases exist in the various offices administering compensation.

It should be possible to determine how many cases occurred in government, agriculture, and mining, the major sectors for which there was no OSHA reporting in 1972, and which are covered by the state's law. The findings cited here should not be interpreted as a criticism of the BLS. Rather, they are meant to convey some concern about the uncertainty that remains about the actual extent of fatalities that are occurring on the job, even after one separates out the issue of disease and illness.

### Methods of Improvement

There are a number of ways that the federal government might move in order to assure even greater confidence in the estimated number of job-related fatalities. It would not seem to be an unsurmountable task to require states to report all job-related fatalities even for the self-employed, state and local employees, domestics, and other workers

that are now not fully covered in reporting. If such a data bank were maintained in terms of specifically named decedents, supplementary data could be provided by state workmen's compensation agencies. Perhaps even the courts, unions, hospitals, physicians, insurance carriers, and others could help to assure that underreporting might be avoided.

Another source of information on the number of job-related deaths—and one currently being evaluated—is to examine the number of fatalities reported by employers to their worker's compensation insurance carriers. Such reports have the virtue of tending not to err on the side of underreporting, since the employer's report to the carrier will in no way jeopardize him, and only serves notice that a claim may likely be forthcoming. If no claim is made, no reserves need to be established. When some appropriate period has passed, insurers report their experience to their rating bureaus which serve to assist the carriers in the formulation of premiums.

Data have been made available to me by these rating bureaus which provide estimates of deaths for most states by occupational-industrial affiliation of the deceased worker for a 12-month period in or around 1972. Estimates are available on the number of workers that are provided coverage by such carriers. Since data exist on accident rates by size of establishment, and because most self-insurers operate in very large establishments, extrapolations can be made to estimate deaths in establishments covered by workers' compensation in a state. Estimates of the extent of the labor force covered by workers' compensation in a state also exist, so that it becomes a simple step to extrapolate further to

<sup>5</sup> Connecticut Workmen's Compensation Commission, *Annual Report of Workmen's*

*Compensation Commission* (Unpublished), August 27, 1973.

the estimate of all job-related deaths in a state.

While the procedure outlined above is highly aggregative, since the available data from the insurance rating bureaus are provided on the basis of occupational characteristics of the workers, some of the extrapolations need not be based only on some very global kinds of evidence. Moreover, such disaggregated data should allow for intersectoral comparisons that one might suppose are highly correlated with those reported by the BLS. For example, for 1972, OSHA-BLS data indicate that fatalities in manufacturing and contract construction were virtually equal in number. Data supplied by the National Council on Compensation Insurance for approximately the same period show roughly 50 percent more deaths in contracting work than in manufacturing for the 37 states reporting. Disparities due to differences in definitional classifications and in the limited number of states reporting as well as the absence of information on self-insurers could well account for this substantial difference. Further work will be undertaken to determine how these differences can be explained.

While reporting on deaths under the OSHA-BLS system and state workers' compensation laws should not line up precisely, the differences should neither be large nor irreconcilable since the sources of differences are generally known. By comparing findings under the two existing systems, we can expect to move closer to more confident estimates of the extent of job-related deaths.

### Summary

While this paper has been brief due to editorial considerations, it may have covered so many areas as to appear to be disjointed. For that reason it may be worthwhile to summarize what I regard

to be the five principal observations and recommendations noted here.

1. In a world where relatively reliable data on an enormous range of matters are collected and reported by the federal government, the absence of estimates of deaths due to workplace events cannot be tolerated. The development of the OSHA-BLS reporting system represented a long overdue reform which can serve to improve the information needed for public policy decisions in this area. Fatality data should not be limited in scope to sectors covered by OSHA.

2. There appears to be an almost universal recognition that data on deaths due to illness or work-related diseases are problematic. But, reporting estimates of such fatalities alongside those that arise from what can conventionally be termed work accidents may lead to an undermining of the public's confidence in the entire data system. At a minimum, the findings with respect to diseases and illnesses that result in death must be substantially qualified when reported. An alternative is not to report fatalities from these sources until a much better basis is established for estimating them. Very likely, such an improved system would not rely solely on data supplied by employers.

3. The task of maintaining a centralized file on work-related deaths by name of decedent would not appear to be either costly or technically intimidating. Persons not presently covered by OSHA reporting could be included in the procedure. As a minimum, cooperation would be needed from all state worker's compensation agencies. Support could also be solicited from others to make certain that underreporting is minimized. The Inter-agency Task Force on Worker's Compensation might attempt to begin such a survey and report on its progress in its mandated report of 1976.



4. While there is no criticism suggested here of the reporting under OSHA-BLS, corroboration of those data can probably be accomplished. This would serve to assure that the new reporting system would receive wide acceptance. Data that are available to insurance rating bureaus can be so used.

5. Much of the above can be taken as an obvious endorsement of a recommendation by the National Commission on State Workmen's Compensation Laws: "We recommend that a standard workmen's compensation reporting system be devised which will mesh with the forms required by the Occupational Safety and Health Act of 1970 and permit the exchange of information among Federal and State safety agencies and State Workmen's Compensation agencies."<sup>6</sup> Even the BLS, which has rarely gone on the record as supporting a

policy position has done so here: "... there is no direct connection between workmen's compensation laws and recordkeeping requirements under the Occupational Safety and Health Act. Nevertheless, it would be advantageous to employers, state workmen's compensation agencies, and the federal agencies to have greater uniformity in record-keeping and reporting."<sup>7</sup>

If the compensation system remains essentially unchanged in the future, such uniformity in reporting will not be achieved quickly. Yet, it does not appear to be a particularly imposing burden to develop a reporting mechanism that assures that the public is aware at least of the extent of fatalities in an unambiguous and complete form. As awareness grows of safety and health issues in the work environment, there will surely emanate a need for more information on fatalities. [The End]

---

## The Insurance Industry and Occupational Alcoholism

By A. E. HERTZLER KNOX, M.D., and WILLIAM E. BURKE

---

### The Hartford Insurance Company

---

THE TITLE OF THIS ARTICLE, "The Insurance Industry and Occupational Alcoholism," is sufficiently broad to permit one extreme latitude in approaching a definitive paper on the subject. Since the theme of the annual meeting is to have a labor-management thrust, with a strong union orientation, one might rightfully ask why the insurance industry, tradition-

ally nonunion, would be asked to participate. The answer is that the insurance industry does not exist by computers and policies alone. It is dependent upon people who labor and manage in many diverse occupations.

It is people, human beings no different from those involved in all other walks of life, who make up the working force of the insurance industry. With people as a common denominator, the insurance industry thus has in common with all other industries

---

<sup>6</sup> *The Report of the National Commission on State Workmen's Compensation Laws* (Washington: Government Printing Office, 1972), p. 93.

<sup>7</sup> U. S. Bureau of Labor Statistics, Report #412 (Revised), *op. cit.*, p. 19.

a health problem, endemic throughout the world, which has no respect for the titles of labor, management, union, or nonunion.

This health problem, officially recognized as a disease by the World Health Organization and the American Medical Association, is alcoholism. We know the etiology or cause of this disease even though we cannot predict with accuracy who will develop it. We do not know specifically why one out of ten people exposed "catches it" and the other nine do not. The infective agent is that ubiquitous chemical or drug called alcohol. Without the ingestion of alcohol, no being can develop the disease of alcoholism, anymore than one can get smallpox without exposure to the virus of smallpox.

After thousands of years of experience with this drug, society is at last attempting to deal with its deleterious side-effects in a concerted and rational manner, rather than morally, religiously, or legislatively. Since the license to drink alcohol is a part of social mores dating back to prehistoric times, prohibition of its use is impossible (as the United States' experiment proved earlier in this century). Since that first cave man drank from a small puddle of brackish water containing some fermented seeds or fruit and discovered the "pleasure" of alcohol due to its depressive effects on his higher brain centers, people have experimented with all forms of restrictions to prevent their fellow man from returning to the "puddle" for another dose of the euphoriant drug alcohol.

### Efforts at Treatment

In the United States, no truly successful treatment for alcoholism was known until just 40 years ago when two men formed the brotherhood known as Alcoholics Anonymous (A. A.). The association was based on abstinence and bad

faith supported by companionship of the diseased fellowship. This, incidentally, was the origin of group therapy, which is often mistakenly linked to the treatment of mental casualties during the North African campaign of World War II.

From A. A., the National Council on Alcoholism was developed by Marty Mann to focus attention on this widespread disease. From 1935 to the late 1960's, very little progress in dealing with the problem of alcoholism occurred except for the growth of the anonymous roster of A. A. and the work of a few pioneers in the medical field. Through the pressures of those few people's persistent efforts, based on the knowledge that alcoholism was a treatable disease, such industrial programs as Eastman Kodak's originated during that period.

However, the real impetus for meaningful action upon our endemic disease occurred with the passage of federal legislation in 1970 known as "The Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act." This Act established and funded the National Institute of Alcohol Abuse and Alcoholism (NIAAA), currently directed by Dr. Morris Chafetz, as a branch of the Health, Education, and Welfare Department.

The last five years have shown the ability of the federal government to effect change. Meaningful medical research is now being carried out and is recognized as "respectable." The development of personnel training and educational methods is moving apace. Treatment facilities outside general hospitals are being established. Industry has moved into the forefront in the fight against this disease, both through management's initiative and union's pressures where management has failed to act. With this historical background, I would like to bring you up to the current scene.

Within the past few weeks, Dr. Chafetz has announced the approval of funding of a \$2.5 million grant to the National Council of Alcoholism's Labor-Management Task Forces on Employee Alcoholism. This project is being co-chaired by AFL-CIO President George Meany and James M. Roche, former board chairman of General Motors. Ten major cities in the United States have been selected as sites for this combined labor-management attack on alcoholism in industry. The selected cities are Akron, Birmingham, Chicago, Denver, Detroit, Houston, Kansas City, Pittsburgh, Seattle, and Washington. Fourteen other cities ranging from New York to San Francisco to Toledo are under consideration for this three-year program.

### Using 'Clout'

It is the intention of this project to use the peer influence of Mr. Meany (labor) and Mr. Roche (management) to start new programs and expand existing ones. For those of you in this audience, I think you can readily translate "peer influence" to the more appropriate term of "clout" that both of these leaders of labor and management will use to achieve success in this project. These efforts will not be falling on untilled soil. During the past five years, thousands of voluntary local alcoholism councils and agencies have been organizing and building grass-roots support. Combine these local pressures with ever-increasing national education and informational projects, and the Meany-Roche team, and it is apparent that industrial relations people are inevitably going to be involved in alcoholism programs in the very near future.

There is no need to tell this audience how to devise or plan an industrial alcoholism program. Excellent models can be readily obtained from the oc-

cupational branch of NIAAA or the National Council on Alcoholism based on work performance and the threat of job termination which can offer recovery rates of 60 to 80 percent for those employees suffering from alcoholism. Let me only caution you that no program can succeed without full cooperation and understanding by all levels of labor and management.

Undoubtedly, many of you here today are active participants in such programs. For those of you not yet involved, or who have need to justify or evaluate such a program, we wish to present today some preliminary data on salaries which confirm for the first time that the cost of alcoholism in industry has been grossly underestimated.

Since economic considerations are a primary justification for introducing any new program into industry, the most obvious and readily available parameter for measurement has been the average salary figure of the corporation. Unfortunately, alcoholism is no respecter of average salary figures since it affects all echelons of employees from the newest maintenance worker to the chairman of the Board. Obviously, if one uses the conservative figure of five percent as the incidence of alcoholism in any corporation, one cannot expect that the entire five percent will receive an "average" wage unless each salary grade is composed of an equal number of employees or has an equal number of employees suffering from alcoholism.

### Data for Evaluation

Recognizing this fallacy at the inception of the personal guidance program at the Hartford Insurance Group, we felt it incumbent upon us to maintain accurate records which would produce significant data for evaluation. In selling the program to management, we had emphasized that al-

coholism would be found in many employees 35 years of age and older when they were moving up into positions of greater responsibility. In fact, we stressed the difference between the hourly wages of most industries versus the salaried positions common to the insurance industry. A catch phrase was utilized to attract management's attention and was most effective. A slide stated "Judgment is the piece-work of the insurance industry." Attention was called to the fact that faulty judgment by an alcoholic supervisor or manager could possibly cost hundreds of thousands of dollars rather than a ruined piece of metal costing at most a few dollars.

Since the Hartford's program is just over one year old, we regard this report as preliminary. But, it shows a trend we feel should be brought to public attention. If one uses the NCA formula for estimating incidence of alcoholism, the Hartford's employee population should include 900 alcoholics. During this first year, we have entered into our program a total of 130 people, of whom 70 have been alcoholics and 60 have been identified as having emotional problems. Since our program is designed to encompass all persons identified as having work performance problems, it is not limited to alcoholics, but similarities of the parameters to be presented are noteworthy. Emotional problems run the gamut from situational to family difficulties, financial or legal problems, and so on. They do not include psychiatric diagnoses which are referred to the medical department for proper

referral where no evidence of alcoholism is found.

## The Cost of Alcoholism

The average salary of the alcoholic employee of the Hartford to date is \$15,515. On the NCA estimate of 900 alcoholics working nationwide for the Hartford, this would represent an annual salary of \$13,963,500. If one assumes that the average alcoholic is only 75 percent effective (a standard NCA formula), one must accept the sum of \$3,490,875 as the corporation's loss in productivity. Our experience leads us to believe that the 75 percent effectiveness figure of an alcoholic employee is far too conservative. It in no way accounts for much greater and more serious losses due to increased sickness and accidents, increased use of health benefits, increased attrition rate of experienced personnel, poor morale among other employees, and faulty judgment affecting sometimes enormously costly decisions.

Based on the "emotional" categories of our "troubled people" referred to the program, if we apply the same salary averaging concept and a 75 percent effectiveness level, this group's annual salary loss totals \$2,717,192, based on actual salary figures from our preliminary group. Thus, at the Hartford, based on actual total cash salary figures plus bonus where applicable, we can show that the projected loss to the corporation each year from these groups of troubled people is conservatively \$6,208,067.

### ACTUAL SALARY FIGURES

		AV. SALARY	TOTAL
Alcoholics	70 (54%)	\$15,515	\$1,086,050
Emotional	60 (46%)	\$13,287	\$ 797,220
	130	\$14,050	\$1,826,500

## AVERAGE SALARY NATION-WIDE

(NCA Incidence Formula)

$$900 \times \$15,515 = \$13,963,500$$

$$810 \times \$13,287 = \$10,868,766$$

$$1710 \quad \$14,050 \quad \$24,832,266$$

75% EFFECTIVENESS  
RATE

TOTAL

$$\$24,832,266 \times 0.25 = \$6,208,067$$

## AVERAGE SALARY FIGURES

(NCA Formula)

$$\text{NCA} \quad 900 \times 8,900 = \$8,110,000$$

$$\text{Actual} \quad 900 \times 15,515 = \$13,963,500$$

## RECOVERY RATE 60% PERCENT

$$60\% \text{ of } \$13,963,500 = \$8,378,100$$

This means

EMPLOYEES LOST

$$\text{HAVE SALARY} = \$5,585,400 \\ \text{FOR ALCOHOLISM} \\ \text{ALONE}$$

## Efficacy of Treatment

Although one can make a powerful point with the annual dollar figures, we have just shown it is essential to emphasize that we cannot expect 100 percent recovery in these people. Programs less well-planned and executed than ours have shown recovery rates of 60 percent. To date, our rates are exceeding that figure, but we recognize alcoholism as a potentially recurrent disease and feel that one cannot draw valid conclusions after only one year. Currently our program entrants show that ten have been terminated, four have been retired at their request, eight have been placed on long-term disability, and three are dead.

The latter two groups deserve special mention, since they emphasize the seriousness of this disease. Of the long-term disability cases, five have died, all within

6 to 18 months. Although this report deals only with the first year's numbers, we have entered five long-term disability cases from a pilot study extending beyond one year to emphasize the seriousness of the disease of alcoholism. Three employees identified as alcoholics and entered into the program died before any effective program benefits could be utilized. All deaths were due to alcohol-induced illnesses.

This experience with those employees unable to achieve a recovery state and whose physical and mental condition had deteriorated to the point of qualifying for total disability confirms the experience of the Ford Motor Company's Dr. Duane Block. He has also observed that virtually no active alcoholic placed on long-term disability lives more than 18 months.

Because of space limitations, I must forgo detailing the other parameters we have measured. These include average age, length of service, and percent of salary increases, both most recent and last previous increases before identification. It is our plan to develop a control group of employees not known to have either alcohol or emotional problems for comparison with these figures as the basis for a later report.

In summary, alcoholism and emotional problems are treatable. The dollar loss of productivity by employees so affected thus becomes a significant controllable expense for all corporations which cannot be ignored by labor or management. An assumption of significant importance in devising the NCA formula has been brought to your attention. If social responsibility, a favorite management buzz slogan these days, is considered, the relief of the immeasurable suffering and misery of the victims of these diseases would far outweigh any dollar figures one could place on the value of such programs. [The End]

# Health Insurance and Collective Bargaining in Quebec

By LEE SODERSTROM

---

McGill University

---

**T**HE IMPLICATIONS for collective bargaining of a national health insurance plan vary among industries. In any industry with a negotiated private plan, the national plan's effects will depend upon the features of the old and the new plans. In the health services industry itself, the national plan may be a double-edged sword. It not only may enable hospitals to improve working conditions, but also may create serious problems for collective bargaining as governments attempt to provide health services more efficiently. These two points seem obvious, but it is useful to review them, drawing upon the actual experiences we have had operating a publicly-financed health plan in Quebec, Canada's second most populous province. Our experiences shed light on some fundamental issues still being debated in the United States that have direct implications for collective bargaining. I continue to be amazed that people involved in the health insurance debate in the United States have paid so little attention to the Canadian experiences.

A national health insurance plan is publicly financed if the entire cost of insured services is paid by the government. The necessary revenues can be collected by the government in a number of different ways (e.g., payroll taxes, income taxes, premiums).

Plans involving a mixture of public programs for some people (e. g., medicare) and private insurance for others (e. g., employees) are not publicly-financed, nor are plans involving co-insurance.<sup>1</sup>

The provision of health services is primarily a provincial jurisdiction in Canada, but the federal government is an important source of financing. The first major step in Quebec toward public financing was taken in January, 1961, when the provincial hospital plan began. The second major step came in November, 1970, when the medical care plan began. Today, hospital and medical services in all ten provinces are jointly financed by the provincial and federal governments. Though the provincial plans must meet some federal standards in order to qualify for federal support, the various plans are not identical. But, the general experiences with publicly-financed health services have been similar in all provinces. In order to simplify the discussion, attention is focused on Quebec, where 28 percent of the Canadian people live.

## Supplementary Health Insurance

Public financing has not completely eliminated health insurance as a negotiable issue. Though the public programs finance the major health costs in Quebec, there are still some services that are privately financed.

Hospital and medical bills are publicly financed. These two items alone

<sup>1</sup> Co-insurance means that both the insured person and the insurer share the cost of the

insured services. Examples are co-payments and deductibles.

accounted for 74 percent of total personal health care expenditures in 1971 in Canada, hospitalization for 53 percent, and medical services for 21 percent.<sup>2</sup> The medical care plan currently also pays for examinations by optometrists, dental services for children under 10, and prescription drugs for people receiving welfare payments or old-age income supplements.

Many workers have supplementary health insurance covering some health services not publicly financed. Items privately financed include drugs, dental services, prosthetics and other appliances, the services of various health professionals (e. g., chiropractors and special duty nurses), and nursing home care. A 1971 survey of Quebec firms with at least 20 employees found that 71 percent of the employees worked for firms offering supplementary health insurance plans financed at least in part by the employers.<sup>3</sup>

Aside from anecdotes, little data are available describing the coverage of these supplementary plans, but their coverage is certainly not complete. Few workers, for example, are covered for dental services. The Canadian Association of Accident and Sickness Insurers recently reported that only 3.4 percent of the labor force belonged to a group dental plan in Canada.<sup>4</sup>

### Financing of Public Programs

The methods of financing used in Quebec do not create any negotiable

issues. Neither the hospital nor the medical care plan is financed by premiums. The hospital plan is financed from federal and provincial general funds. The medical care plan is financed by Ottawa from federal general funds and by Quebec using a payroll tax paid by employers and a supplementary income tax.<sup>5</sup> There are no co-payment charges or deductibles in Quebec.

Different financing arrangements have been used in other provinces. Quebec is one of the few that has never used premiums. Most no longer charge premiums because of the administrative costs involved in collecting them and providing premium reductions for low income families. In the three provinces that still charge premiums, the proportion paid by the employers remains a bargainable issue.<sup>6</sup> Most provincial plans are now financed from provincial and federal general funds.

The switch from private to public financing can create one minor problem. What happens to employers' contributions to the old private plan if they exceed required employer payments (if any) to the new public plan? A 1968 survey of Quebec firms with at least 20 employees found that about 83 percent of the workers were employed by firms offering a health insurance plan that was at least partially financed by the employer.<sup>7</sup> The Quebec Health Insurance Act stipulated that firms which made pay-

<sup>2</sup> Health and Welfare Canada, *National Health Expenditures in Canada, 1960-71*, (Ottawa: Health Economics and Statistics Division, Health Programs Branch, 1973), p. 25.

<sup>3</sup> Labour Canada, *Working Conditions in Canadian Industry, 1971*, (Ottawa: Information Canada, 1972), pp. 72 and 146.

<sup>4</sup> Clayton Sinclair, "Dental Care Coverage Contracts Slow to Become Union Success," *The Montreal Gazette*, April 10, 1975.

<sup>5</sup> Employers contribute 0.8 percent of total wages and salaries paid. The personal contribution is zero for single people with an-

nual net incomes not exceeding \$2,600 or for married people with incomes not exceeding \$5,200. People whose net income exceeds these minimums contribute 0.8 percent of their net income; the maximum contribution is \$125 for people receiving at least 75 percent of their net income from wages and salaries, and \$200 otherwise.

<sup>6</sup> Alberta, British Columbia, and Ontario.

<sup>7</sup> Labour Canada, *Working Conditions in Canadian Industry, 1968*, (Ottawa: Information Canada, 1969), pp. 108 and 220.

ments to a private health insurance plan that exceeded the employer's required payments to the new plan had to either reimburse the workers for the difference or offer new supplementary benefits of comparable cost.<sup>8</sup> The mode selected could be negotiated.

### Eligibility

Essentially everyone in Quebec is covered by both the hospital and medical plans, independent of whether they are in the labor force, employed or unemployed, or covered by a collective bargaining agreement. Unlike the United States, the rising unemployment in Quebec in recent months has not resulted in anyone's losing his hospital or medical care benefits.

This universal coverage is not just the result of national health insurance; it also reflects the organizational simplicity of the publicly-financed Quebec plan. First, there is only one plan for everyone. These are not separate plans for the old, the poor, and the employed. There is no danger in Quebec that someone whose status changes will find himself without coverage because he is ineligible for all plans for some peculiar reason unforeseen by the legislators or because he is uncertain which plan he is eligible for. Second, financing arrangements in Quebec prevent anyone from being disqualified for failing to pay premiums, when, for example, he becomes unemployed.

But, Quebec workers do lose the benefits of their supplementary plans when they are laid off. The 1971 survey of Quebec firms that found that 71 percent of the employees worked

for firms offering supplementary plans at least partially financed by the employer, also found that in the event of an extended layoff the employers would continue paying the premiums for only 11 percent of these workers. In the event of extended illness or disability, the comparable figure was 52 percent.<sup>9</sup> Just as in the United States, collective bargaining in Quebec has not provided adequate protection for laid-off workers.

### Collective Bargaining v. Public Financing

There are many different national health insurance plans; the Quebec plan is only one example. Decisions made by public authorities about features such as the services covered, methods of financing, and administrative organization affect the issues subject to collective bargaining, as suggested above. But what would remain within the domain of collective bargaining? Is collective bargaining the mechanism that society should use to arrange financing for workers' health services? If collective bargaining is used, what happens to the people not affected by it? Can collective bargaining provide adequate protection for people who are affected by it? The answers depend on the purposes of national health insurance.

If one social goal is to provide equal access to health services for everyone, little should be left to collective bargaining. If all health services are not completely publicly financed, financial barriers will continue to restrict some people's access to some health services.<sup>10</sup> For example, access

<sup>8</sup>Labour Canada, "Health Insurance Act", *Quebec Statutes, 1970*, (Quebec City: Quebec Official Publisher, 1971), Chapter 37, Article 13.

<sup>9</sup>Labour Canada, *Working Conditions in Canadian Industry, 1971, op. cit.*, pp. 72 and 146.

<sup>10</sup>Equal access depends not only on the elimination of financial barriers, but also on the availability of services. One of the purposes of rationalizing the delivery system is to overcome these barriers to access.



to services not covered by the national plan will be restricted for some people, including workers covered by collective agreements providing supplementary plans. The Quebec experience indicates that these supplementary plans typically fail to cover some important services not included in the national plan.

Access will also be restricted if there is not complete public financing. Co-payments and deductibles will restrict access; financing schemes involving a combination of public and private financing can also restrict access by creating eligibility problems as described above. Collective bargaining cannot necessarily solve either problem, even for the people affected by it. Certainly the experience in Quebec suggests that entirely publicly-financed plans are feasible.

If another social goal is providing health services efficiently, public financing is desirable. Incomplete public financing fragments control, making it harder to implement long-needed reforms. The defense of that proposition, however, would take us beyond the immediate realm of collective bargaining.

### **Bargaining in the Hospital Sector**

Public financing in Quebec has had additional implications for hospital workers in the province. It has increased hospitals' ability to pay higher wages and to provide better working conditions. Simultaneously, however, rising costs have created pressures to provide hospital services more efficiently. The necessary changes affect the workers in this labor-intensive industry in a number of ways, including the elimination of some of their jobs.

<sup>11</sup> Statistics Canada, *Hospital Statistics, 1972*, Vol. VI (Ottawa: Information Canada, 1974), p. 36. These cost data refer to public general and allied special hospitals; most hospital services are provided in these hospitals.

This creates a potentially serious problem: When a government justifiably tries to reduce the rate of increase in costs, who looks after the workers' interests?

There has been a substantial increase in hospital costs in recent years in Quebec, just as elsewhere. Between 1960 and 1972 the average annual rate of increase was 14.6 percent in Quebec and 13.3 percent in Canada.<sup>11</sup> Public financing has contributed to these rates of increase, but it does not necessarily imply persistently higher rates of expenditure. Much depends on whether governments vigorously proceed to rationalize the provision of health services. The Quebec government has been slow to exercise its power. As described below, it began to exercise more control over hospital wages in 1966 and to rationalize the hospital sector in the early 1970's. Quebec is not atypical; all the provincial governments have been slow to begin reforming their health systems. An important lesson from the experiences across Canada is that failure to begin rationalization of the health system when public financing is introduced can be expensive.

Quebec hospital workers are unionized, unlike their counterparts in the United States. Unionization spread rapidly during the 1960's; by 1972, at least 60 percent of the hospital workers were union members.<sup>12</sup> They have had the right to strike since 1964. Bargaining is province-wide.

### **Wage Determination**

Public financing improved the hospital's ability to pay higher wages during the early 1960's, not only be-

<sup>12</sup> Unpublished data provided by the Labour Organizations and Labour Disputes Division, Economics and Research Branch, Labour Canada.

cause it eliminated their precarious financial position, but also because the provincial government exercised minimal control over the hospital. Furthermore, the government did not particularly oppose paying higher relative wages to the low paid hospital workers. Hospitals could negotiate higher wages and provide additional services and be fairly confident that the resulting higher costs would be paid by the provincial government.

But, as total hospital costs increased, reflecting in part the higher wages, the provincial government took steps to slow the rate of increase in wages. These steps have changed the structure and outcome of collective bargaining. In the early 1960's, the provincial government only participated as a third party in the local wage negotiations; during this period the unions frequently used whip-saw tactics to gain better contracts. The government then arranged for province-wide bargaining in 1966 between representatives of the hospitals and the unions. It intervened after a three-week strike and quickly negotiated a settlement. Since then, the government itself has negotiated two province-wide agreements.

Hospital costs are no longer the only concern of the government when it negotiates hospital wages. It now bargains simultaneously with almost all workers in the provincial public service, hospital workers and teachers being the two largest groups. The common wage settlement has obvious implications both for the provincial treasury and for wages in the private sector, given the size of the public sector (over 200,000 workers) and the

visibility of this agreement. The provincial government, therefore, has little reason to be overly generous with hospital workers at the bargaining table.

It is not surprising, then, that relative wages in Quebec hospitals increased rapidly in the early 1960's when the unions were growing rapidly, the hospitals had just acquired the "ability to pay" higher wages, and provincial control was minimal. By the end of the 1960's, however, relative hospital wages were no longer increasing, presumably reflecting the greater role of the government and the reduced rate of growth of the unions. In the late 1950's, the average Quebec hospital worker's hourly wage was 40 to 45 percent lower than the average wage in manufacturing; since 1970, it has been about 20 percent higher.<sup>13</sup> The limited wage information available for specific occupations is consistent with this pattern.

### Job Security

Some steps taken to rationalize the provision of health services will eliminate existing jobs: improved internal efficiency in hospitals, regionalization of some hospital services, and closure of some hospitals reduce jobs. The most graphic examples in Quebec have been hospital closures. There were 9.9 hospital beds per 1,000 population in 1972 in Quebec.<sup>14</sup> But, the highly influential Castonguay Commission, which established a master plan for the Quebec health system, stated that only 5.2 beds were needed.<sup>15</sup> I doubt that the number of beds per capita will be halved soon, but I do expect closures to continue.

<sup>13</sup> Lee Soderstrom, "Wage Determination in Quebec Hospitals," forthcoming.

<sup>14</sup> Statistics Canada, *Hospital Statistics, 1972*, Vol. I (Ottawa: Information Canada, 1974), p. 35.

<sup>15</sup> Commission of Inquiry on Health and Social Welfare, *Establishment of the Health Plan*, Vol. IV, Tome IV (Quebec City: Quebec Official Publisher, 1970), p. 180.

Though there is ample justification for rationalization in Quebec and elsewhere, what happens to the workers whose jobs are eliminated? If they are simply laid off, it is not clear that rationalization makes society better off. Unionized workers may be able to negotiate protective contract clauses. This has happened in Quebec, where attrition is a primary mechanism for job reduction.<sup>16</sup> The collective agreement guarantees a job for hospital workers with at least two years' experience. If their current job is eliminated, they continue to receive their salary until they are offered another comparable job. But workers with less than two years' experience have less protection. Most are guaranteed two weeks' notice of layoff. A worker with a least one year of experience is also given preferential hiring status.

Can we rely entirely on collective bargaining to provide just compensation when jobs are eliminated? Collective bargaining has not always provided adequate protection when technological change and plans closures have eliminated jobs. Furthermore, unionization of hospital workers in the United States is still in its infancy.

Collective bargaining has not dealt as well with other problems resulting

from rationalization. For example, emergency rooms in many Montreal hospitals are crowded, but the provincial government is reluctant to provide additional resources. Not surprisingly, the workers complain of being overworked. Rationalization has created considerable tension in Quebec hospitals, partly because of the government's policies and partly because of the way they have been implemented.

### Conclusion

Two points emerge from the Quebec experiences described here. First, it is feasible (and perhaps desirable) to exclude the financing of health services from the domain of collective bargaining. What little does remain within the domain of collective bargaining in Quebec has not created any special problems for negotiators, but it has restricted some people's access to some health services. Second, attempts to rationalize the health system will create problems for people working in it. Collective bargaining in Quebec has helped deal with some of these problems. Aside from these two points, I hope this paper kindles some interest in learning more about the Quebec health system.

[The End]

---

## Health Insurance and Collective Bargaining in Canada and The United States: a Discussion

By HENRY T. BECKER

---

Connecticut State Labor Council, AFL-CIO

---

**I**MUST admit at the outset that I have little disagreement with Dr. Soderstrom's paper. I knew in ad-

vance I would be asked to talk about Health Insurance and Collective Bargaining in Canada, so I have discussed this question with a trade unionist friend of mine from Montreal. His

---

<sup>16</sup> Comité d'Étude de la Main-d'Oeuvre Hospitalière, *La Main-d'Oeuvre Hospitalière*,

(Quebec City: Quebec Official Publisher, 1973), pp. 122-130.

thoughts were in substantial agreement with those of Dr. Soderstrom.

I believe that collective bargaining can play an important role in the whole area of health care and can help us in the United States to eventually obtain comprehensive health security legislation. I also feel that collective bargaining still has significance even in Canada, despite the fact that little is left in that country to be negotiated in the health care field.

First, let us consider some of the options we in the United States have before we compare our situation to that of Quebec. The AMA plan for a federal health program, called Medicare, would rely on voluntary purchase of private health insurance, while the government would subsidize the costs of premiums for the poor. Although this appeals to some politicians, it is inadequate and no better than what we already have. The Ford plan is a hodge-podge of state- and employer-financed programs that involves both insurance companies and the Social Security Administration.

Our own Senator Ribicoff has a plan also; he and Senator Long want to expand social security to cover the cost of catastrophic illnesses. This, too, is inadequate; I told Senator Ribicoff this not so long ago.

There was for a while a Kennedy-Mills plan which would use private insurance companies to provide a Medicare-type health-care program for those under 65. This, too, in our opinion is not a good plan.

Finally, there is the Kennedy-Corman bill (Senate bill S. 3 and House bill H. R. 21). This is a comprehensive health care plan that would provide a single, mandatory insurance program covering the entire

population. This program would be financed through tax revenues without the aid from insurance companies. Fifty percent of the financing will come from general revenues of the federal government. The other 50 percent will be provided by a 3.5 percent tax on employer payrolls and 1 percent on the income of employees up to \$20,000. Self-employed individuals will pay a 2.5 percent tax on income up to \$20,000. Although there are some limitations on dental care, psychiatric services, home nursing care, and prescription drugs, basically the Kennedy-Corman plan will cover comprehensively everyone living in the United States. Dental care will be provided for those under 15 years of age with the age limit moving upward yearly until the entire population is covered. Like Quebec, there will be no co-payments, no deductibles.

### Years Behind

The United States is the wealthiest country in the world. We have an educated population and perhaps the greatest natural resources of any country in the world. But we are years behind the times when it comes to the health of our citizens.

I have seen a chart that shows health care coverage available in 12 major countries of the world: Austria, Britain, Canada, Denmark, France, Italy, Japan, the Netherlands, the Soviet Union, Sweden, West Germany, and our own United States. Where each of these countries provide health care pretty much across the board, in our country medical care is provided only for the poor, and in part, for the aged.

Dr. Soderstrom informs us that in Quebec, even now with National Health Insurance, 71 percent of the employees there have supplementary health insurance plans. Presumably,

most of these have been negotiated through collective bargaining. He also tells us that only 3.4 percent of the labor force in Quebec belong to a group dental plan. I would wager that the percentages here in the United States are quite similar to those of Quebec.

That is why I believe collective bargaining can play a very real role in helping us in this country to obtain comprehensive health care. There is still room for improvement in our negotiated fringe benefits, especially in the areas of dental and psychiatric care.

I am not advocating that collective bargaining can achieve health security by itself. Certainly no collective bargaining effort can help those who are not employed in a unionized work place—not directly, that is. In the United States, those of us in unions can and should push hard for more and better health care in our contracts. At the same time, we should join with other enlightened citizens to do two other things: (1) work to set up nonprofit Health Maintenance Organizations (HMO's) where quality and comprehensive health care, including preventive medicine, is available 24 hours a day in a convenient location; (2) work politically to elect representatives who accept the concept that everyone has a right to health care and who will support health security legislation.

### **Fear of "Socialized Medicine"**

Many employers fear anything they consider socialistic. This includes, of course, socialized medicine, their name for health security. Realistically though, employers can be persuaded to change their policies, and even support social programs, if we can demonstrate to them that it will actually save them money.

Many of the things people are now saying about health security were

also said about Social Security 40 years ago. In fact, little headway was made in improving the Social Security law until Walter Reuther was able to negotiate pensions and tied the employers' cost to the Social Security benefits received by retired workers. After that, employers changed their previous attitude and supported improvements in Social Security, for the higher the benefits went, the less it cost the employer. That's a classic example of how collective bargaining did indeed assist those who are not directly represented by unions.

I believe that in the matter of health security we can use the same technique. Let us negotiate as much health care coverage as possible, regardless of how expensive it may be. When employers see they will only have to pay 3.5 percent of their payroll for national health insurance instead of a larger percentage for a negotiated health care package, they will stop opposing this kind of legislation and join with us in supporting it. Perhaps neither collective bargaining nor political action can achieve health security this year or next, but I feel confident that collective bargaining can help us to bring this about eventually.

We are having difficulty in the delivery of health care here in the U. S., especially in the rural areas and in the center cities. Quebec, I understand from my trade union friend, is also having difficulties, even with health insurance. But again, some of these difficulties will be solved by collective bargaining. As Dr. Soderstrom has told us, the hospital workers are organized and, as I understand it, they have a crisis there (as we do here) with overcrowded emergency rooms. With the passing of the old fashioned "family doctor," the emergency room, both here and in Canada,

has had to take up the slack. I understand Canadian hospital workers are now complaining that they are overworked, the emergency rooms are understaffed, and they are threatening to go on strike. I hope that collective bargaining will again settle this problem in Quebec.

In conclusion, I say there is much we can learn from the situation in

Quebec as described by Dr. Soderstrom. I hope that enlightened Americans, unionists or not, will work together toward obtaining for us what Quebec already has—a comprehensive health care program. I think we should begin by urging formation of HMOs and supporting the Kennedy-Corman health care bill.

**[The End]**

---

## The Insurance Industry and Occupational Alcoholism: a Discussion

By GERALD G. SOMERS

---

University of Wisconsin

---

**T**HE KNOX-BURKE paper on the occupational alcoholism program of The Hartford Insurance Group is a worthy contribution to the limited evaluation literature in this field. Although restricted to one company and a one-year experience, the report nonetheless offers useful insights into the “sales pitch” for convincing top management of the need for a program; and it raises some serious questions about the adequacy of existing evaluation data.

### Adequacy of Evaluation Data

The fact that the average salary of the alcoholics in the Hartford program was \$15,515 is of considerable significance. It is assumed that this exceeds the average salary of non-alcoholic employees, although the paper does not present comparative salary data. Certainly it exceeds the average salary of \$8,900 for alcoholic employees frequently cited in reports on the “loss” caused by alcoholism in industry. Without additional data

on comparative salaries in the Hartford group, we are left with only a working hypothesis that alcoholic employees in that company are above the average in occupational and income status. If this is so, it may lead to the alternative hypotheses that alcoholism rates are greater at higher occupational levels or that those at higher occupational levels are more prone to enter the counseling and treatment program. In either case, the findings would be at variance with currently available research results. It is hoped that the authors may be able to provide information to test these hypotheses as their evaluative work proceeds.

One would also wish to have supporting data for the statement, “Our experience leads us to believe that the 75 percent effectiveness figure (a standard formula of the National Council on Alcoholism) of an alcoholic employee is far too conservative.” A number of occupational consultants have felt that the dollar loss suffered by industry because of an average alcoholic’s reduced production

exceeds 25 percent of that employee's regular full-time wage or salary.

This percentage, based on some case studies examined by NCA almost a decade ago, may well be an underestimated. Such cost factors as "the lowered morale of fellow employees" and "the full cost of errors in judgment" are much more difficult to measure than absenteeism, accidents, tardiness, and disability payments. On the other hand, we cannot assume that nonalcoholic employees always perform at a level of 100 percent effectiveness, or that clients of the program would necessarily perform at that level even after their "recovery."

It would be unrealistic to expect the Knox-Burke paper to provide the data needed to resolve these perennial disputes about the costs of alcoholism and the benefits of rehabilitation programs. However, their paper takes an important first step in raising serious questions about some widely used formulas and sharpens our appetite for the data that an intensive evaluation might bring forth.

### **Insurance Coverage of Alcoholism**

Regardless of specific costs and benefits, there is little doubt that alcoholism can have the gravest consequences for the alcoholic. If, as the authors of the paper have noted, alcoholism is now widely recognized as a disease, we may ask why companies and unions have not launched a more extensive attack on this disease.

It should be noted that the type of program described in the Knox-Burke paper is still relatively rare among American companies in spite of substantial interest and growth in the past few years. Even though several hundred companies claim to have a program for the counseling and rehabilitation of alcoholic em-

ployees or "problem drinkers," there appear to be only about a couple of dozen fully functioning and effective programs. These have received widespread publicity.

Why have so few companies established effective programs? Why have so few programs been demanded by unions in collective bargaining negotiations? There are many reasons: the stigma of alcoholism, the failure to recognize alcoholism as an illness, the reluctance to interfere in the private lives of employees, and the fear that disclosure of alcoholism may lead to job loss. However, one major impediment to the expansion of industrial alcoholism programs is the slowness of the commercial insurance industry in extending coverage to alcoholism treatment on the same terms as that extended to other illnesses.

The alcoholism program of the Hartford Insurance Group is a reasonable starting point for a broader discussion of health insurance coverage of alcoholism. Unfortunately, Hartford is only one of the handful of insurance companies that has adopted a policy toward alcoholism that is consistent with the views expressed by Dr. Knox and Mr. Burke—notably their appraisal of alcoholism as a disease, their data on the costs of alcoholism to employees, employers, and society, and their indicated benefits of alcoholism counseling and treatment.

The authors' conclusion that this is a matter "which cannot be ignored by labor or management" applies with equal force to the insurance industry. Unions would be more likely to press for full and equal coverage of alcoholism treatment—and employers would be more likely to accept union demands—if such treatment were covered by their group health insurance pro-

gram without enervating restrictions or increased premium payments.

### Insurance Restrictions

Many commercial insurance companies wholly exclude alcoholism treatment and most severely restrict benefits for such treatment. There are three major types of restrictions. (1) Many insurance plans will provide benefits only for alcoholism treatment in full-fledged accredited hospitals and will exclude private or specialized alcoholism rehabilitation centers or psychiatric hospitals. (2) Length of stay and number of repeat visits to hospitals or treatment facilities are restricted beyond those permitted for other illnesses. (3) Outpatient treatment is either excluded or severely restricted in terms of number of visits.<sup>1</sup>

These restrictions are especially damaging—and misplaced—because recent research findings point to the cost-effectiveness of treatment in specialized rehabilitation facilities and through outpatient visits. Depending on the nature of the case, outpatient treatment may serve to overcome the reluctance of those who deny their need for medical care, and it may bring about recovery at a cost that is substantially lower than that of hospitalization.

Indeed, the findings of the Kemper Insurance Company and Employers Insurance of Wausau emphasize the shortsightedness of limited alcoholism coverage, even from a narrow dollars-and-cents viewpoint. Alcoholics will often spend many days in a hospital prior to their identification and treatment as alcoholics. The reasons given will include backache, sinus, colds,

indigestion, sore throat, allergies, nervous condition, as well as injuries resulting from accidents. Attending physicians are often "fooled" as to the real cause of the illness or disability. Or they may simply join the employee's family, fellow workers, and supervisor in becoming part of the cover-up.

Thus, the costs of alcoholism to insurance companies are high, even when the medical label is something other than alcoholism. Although conclusive supporting data are lacking, there is some evidence that insurance claims go down significantly in the years following "recovery" as compared to the years prior to identification and treatment of an employee for alcoholism. At least the Kemper Insurance Company was sufficiently influenced by its studies to extend health coverage to alcoholism with no additional premium.

### Legislation and OSHA

The question of alcoholism coverage is also related to health legislation, the topic of Professor Soderstrom's paper, and to the Occupational Safety and Health Act, the subject of Professor Barth's presentation. Since these papers are discussed more fully by others, the relationship will be noted only briefly here.

Legislation is likely to play a major role in the extension of health insurance coverage to alcoholism treatment. A number of states are now insisting that alcoholism be included in the coverage of group health plans. The movement is spreading, and it is likely to give a major impetus to occupational programs. However, it should be noted that serious restrictions on coverage for alcoholism, such

<sup>1</sup> See the discussion on insurance coverage in *Alcohol and Health*, Second Special Report to the U. S. Congress, Department

of Health, Education, and Welfare, Public Health Service, National Institute on Alcohol Abuse and Alcoholism, June 1974, Ch. IX.



as the exclusion of outpatient care, continue to bedevil insurance plans even in states with mandatory coverage provisions.

Since we do not yet know the details of any national health insurance plan that may emerge from current discussions, the scope of alcoholism coverage cannot be determined. However, the extent of coverage provided in a number of pending proposals gives rise to the expectation that a national health insurance program will be less restrictive than many existing private plans in their coverage of alcoholism.<sup>2</sup>

There is still active debate as to whether alcoholism can be considered an "occupational disease." It is reasonable to hypothesize that job stress can be a contributing cause of alcoholism. However, there is little supporting evidence for this view, given the inadequacy of existing data on alcoholism rates by occupational category. Thus, there is a questionable relationship between OSHA and alcoholism as an occupationally induced illness.

On the other hand, there is ample evidence of the high accident rates of alcoholic employees—both on and off the job. Students of OSHA might address themselves to the question of in-plant accidents caused by alcoholics and other troubled employees. Conditions which are not hazardous for most employees can be dangerous for an alcoholic employee. If known problem drinkers remain untreated

(and almost every company is engaged in this type of "cover-up") then where does responsibility for their accidents lie?

### **Alcoholism and Industrial Relations Research**

A final note on alcoholism as a subject of industrial relations research may be in order. The IRRA has not previously addressed itself to this field of inquiry. Yet, as the paper by Dr. Knox and Mr. Burke indicates, alcoholism in industry is a most serious problem. And as the discussion implies, much research is needed to test hypotheses and to provide a more rigorous body of statistical data.

There are high costs of alcoholism, in terms of human lives, for families and for society, and in monetary terms for industry and the public. These costs justify greater expenditures on research, not only to define these costs more accurately, but also to analyze the role that management and unions might play in attacking this problem. Research is needed to measure the benefits of various programmatic techniques so that policies can be formulated and improved.

As an interdisciplinary problem—involving elements of health, economics, sociology, psychology, and law—alcoholism in industry is ideally suited to the research interests of members of the industrial relations community. I commend it to you.

**[The End]**

---

<sup>2</sup> *Ibid.*, pp. 188-189.

### SESSION III

## Economic Development and Manpower Problems

### The New England Economy: Current Developments and Outlook

By DAVID PINSKY

University of Connecticut

**T**HE NEW ENGLAND economy, as measured by job trends, has suffered a substantial decline during the current recession, and the downward trend is continuing. The region lost 115,800 factory jobs, a decline of 8.1 percent, from February, 1974, to February, 1975. Unemployment in the region in February was 11.2 percent, compared with the national rate of 9.1 percent.

The recession, caused by oil shortages, general inflation, high material costs, and high money costs, followed the national trends. It first hit the automobile and housing industries and has since spread to other sectors of the economy. In addition to sharing the national ills, the New England economy is further plagued by high energy costs which, if they persist, will have a long-range dampening effect on jobs and industrial stability.

#### Region's Decline Near National Average

In the recession year of February, 1974, to February, 1975, the job-decline

rate in New England of 8.1 percent was only slightly greater than the national rate of 7.8 percent. By region, the largest decline was in the Great Lakes area, which lost 485,500 jobs (9.5 percent). The drop there was concentrated in automobile production. Almost as large a decline occurred in the Southeast region, which lost 410,000 jobs over the year (9.4 percent); a substantial part of the decline there was in textiles and apparel.

Some New Englanders may look with satisfaction or relief at this downturn in the South, since that region is alleged to have enticed away much of our textile and apparel industries beginning in the early 1950s. Residents of northeastern Connecticut, where there now is over 20 percent unemployment, partly as a result of the departed textile plants, and of other New England areas similarly affected might well say "serves them right." That region, which had the largest growth in the nation from 1964 to 1974, now has had one of the longest declines during the past year.

## **Only Defense Industries Fare Well in New England**

Of the 19 major manufacturing groups on which the Bureau of Labor Statistics publishes data, 17 had employment declines of varying sizes during the current recession. Some of the larger drops were in electrical equipment (down 21,700 jobs) and fabricated metals (down 16,200 jobs); both were affected by the slump in housing and construction. New England's long-suffering textile industry experienced another substantial loss—17,300 jobs over the year.

The only two industries to report increases (and these were minor) were defense-oriented. The transportation equipment group in New England, consisting mainly of aircraft and submarines, added 4,300 jobs. The ordinance group added 2,100. These modest gains emphasize the importance of defense contracts to the region. In nonmanufacturing activities, the one substantial decline occurred in construction—a loss of 19,100 jobs, and the number is expected to increase during the coming year.

## **Maine Has Sharpest Factory Loss in Region**

Among the individual New England states, Maine has the poorest record thus far in the recession, losing 14,100 jobs over the year for a decline of 13.3 percent. In the nation, this percentage is exceeded only by South Carolina, which recorded a 14.4 percent drop. Among all the states with losses during the year, Massachusetts, Connecticut, and Rhode Island were 30th, 31st, and 32nd, respectively; the percentage declines in number of jobs

were 7.5, 8.0, and 8.2. New Hampshire was 34th with an 8.4 percent decline. Vermont had the best record among the New England states with a loss of 6.1 percent—20th in the nation.

## **Unemployment Well Above National Level**

Unemployment in the region was below the national average during most of the Vietnam conflict but exceeded it beginning in mid-1970 following defense contract cutbacks. The region's economy never fully recovered from the 1971-72 recession, and unemployment continues high. In February, 1975, when the unadjusted unemployment rate of the U. S. was 9.1 percent, New England's averaged 11.2 percent. The highest rate was in hard-hit Rhode Island, 15.8 percent. The resort and recreation-oriented state of New Hampshire had the lowest rate, 6.8 percent. Rates for the other states were in between: Massachusetts, 11.9 percent; Maine, 11.7 percent; Vermont, 10.3 percent; and Connecticut, 9.5 percent.

## **High Cost of Energy Is Major Problem**

New England's traditional problems are maturity and geography. In general, the physical plants are old and do not lend themselves to maximum productivity. Available land area is not flat and thus does not easily accommodate one-story factories with ample parking.

Added to the region's traditional problems is the new threat of high energy costs. A large proportion of the oil the region uses for generating electricity, for heating, and for transportation is imported. While electric-

ity costs are difficult to compare because of a multiplicity of rates even within a state, it is generally agreed New England rates are well above the national average and may be among the highest in the nation. Because the region is located in the northeast part of the country, transportation costs for bringing in raw materials and for shipping out finished products are high. No sudden or sharp decline is expected in the near future, and in the long run the high cost of energy is likely to be a drag on the region's economy.

### **Exports of Technology Results in Imports of Goods**

The export of technology, capital, and marketing know-how by multinational firms hit the region first with the closing of New England plants and their relocation elsewhere. Later, imports from that relocated production began to compete with the products of the firms that remained. Soft goods, such as textiles, apparel, and shoes, were affected initially, but now more sophisticated hard goods—electronics, machinery, ball bearings—also are being imported.

The new tape-numeric and computer-controlled machinery places less reliance on skilled metal workers, the hallmark of New England's industrial capability. These machines, together with instant communication and one-day world-wide transportation, are fanning out goods production around the world to the detriment of the New England plants.

### **Outlook Is Not Bright**

A state-by-state survey of economic projections produced a remarkable consensus. All expect the number of fac-

tory jobs to decline through June, with a leveling-off during the summer and fall months. Some foresee a small upturn beginning in the October-December quarter, while others expect the turnaround in the first quarter of 1976. No one sees any substantial rise. All agree that construction will remain at a low level during the coming year because of the high cost of building and the high cost of money.

The New England economy will fall or rise with the national economy, but that is another story. It is generally agreed, however, that the high cost of energy will keep any New England recovery below that of the nation as a whole. If there is any one single economic objective on which there is unanimous agreement, it is the reduction in the cost of oil and its equalization with prices in other parts of the country.

Despite these serious problems, the region has many things going for it. First and foremost is the quality of living, which is unsurpassed in the nation. Economic development should be built upon this advantage. Second, the region has a good supply of skilled and productive workers. Skilled workers' wages here are among the lowest in the nation—even lower than those in the South. Connecticut's average factory wage is the 18th highest in the U. S., and average wages in the other New England states are below Connecticut's. New England's management has a record of resourceful innovation and research; a high proportion of patents issued are from this area.

The problems of the moment are formidable, but New England's ingenuity is capable of meeting them.

**[The End]**

# Unemployment Insurance and Labor Force Participation with Applications to Canada and Its Maritime Provinces

By NEIL SWAN

Economic Council of Canada

**I**N THE LAST decade, Canada has dramatically increased the coverage and generosity of most of its income maintenance programs, causing concern that the resulting increased security of income for those who are not working may lessen the incentive to work. This paper reports on part of some research undertaken to assess the effect of income maintenance programs on the supply of and demand for labor in Canada's three Maritime provinces. It examines the effect of one of the income maintenance programs, unemployment insurance, on labor supply.

Section I gives some background material on recent changes in the Canadian unemployment insurance system. Section II develops a 14-equation theoretical model of labor force participation. The model has two characteristics that distinguish it from previous explanations of labor supply. First, it includes separate variables for the true and measured value of the labor force, a necessary procedure because misstatement of one's true labor force status to the interviewers of the Canadian Labour Force Survey is an almost inevitable corollary of the very effects we seek to measure. Second, it includes vari-

ables designed to capture the effects of the changing generosity of the unemployment insurance system.

Section II demonstrates that one must fit two regression equations to observed data correctly to assess the effect of unemployment insurance on participation. Section III is empirical. The results in it are used to draw approximate inferences about the effects of unemployment insurance on labor supply. Conclusions are presented at the end of the paper.

## I. The Canadian Unemployment Insurance System

In 1971, the Canadian unemployment insurance system was made dramatically more generous in two main ways. First, the benefit as a percentage of the wage rose to 66⅔ percent, and in some cases to 75 percent. Second, it became much easier to qualify for benefits. Instead of 30 weeks' worth of contribution in the last two years, as little as 8 weeks during the last year qualified one for the minimum period of benefit—18 weeks. Under certain conditions, which are unrelated to national and regional unemployment rate levels, as many as 44 weeks of benefits can be obtained for the 8-week minimum

qualifying period of work. Such conditions are not uncommon in the Maritime provinces.

## II. Theory

Two kinds of effect are possible as Unemployment Insurance Commission (UIC) benefits and conditions become more generous. One is that workers already in the labor force will choose more leisure.<sup>1</sup> To illustrate: A person who had worked continuously for two years and became unemployed at least one year before the 1971 Act, and who was then unemployed for 25 weeks of the next year and employed for the other 25 weeks, could obtain over the whole year about 70 percent of his annual salary. Under the new system, he could be unemployed for as many as 45 weeks of the next year and still obtain 70 percent of his annual salary. The incentive not to seek work as strenuously or as soon as before, upon becoming unemployed, is clearly very strong, provided one can do so and not lose one's benefits.<sup>2</sup> There may well also be a stronger incentive than before 1971 to arrange to become unemployed, or to quit.<sup>3</sup>

The second kind of effect is that people outside the labor force may enter it for at least long enough to qualify for benefits. To illustrate: Before 1971, an income of \$3,332 would be obtained by a person who worked for 34 weeks at \$80 a week, and was then laid off. Now, by working only 20 weeks, one can obtain a comparable income (\$3,574),<sup>4</sup> an 80 percent increase in the effective wage per week actually worked. The incentive to work at least some of the

time rather than to stay out of the labor force has obviously been greatly increased.

The first of these effects reduces the labor supply and the second increases it. Some persons may not be susceptible to either effect. Let us therefore suppose that the working-age population can be conceptually separated into three groups. For members of the first group, participation or nonparticipation in the labor force is not affected by how generous the UIC benefits are. Members of this group may be outside the labor force, employed, or unemployed. If unemployed, they are genuinely seeking work. We denote the size of the part of this group in the labor force by  $L_1$ , the number of employed in it by  $E_1$ , and the number of unemployed by  $U_T$ . For this group we have: (1)  $L_1 = E_1 + U_T$ .

The second group consists of those who choose to work *less* frequently and take more leisure, as the UIC system becomes more generous. We denote the size of this group by  $L_2$ . At any point in time some members of this group will be employed ( $E_2$ ); others will not be. It is assumed that the state of nonemployment in this group is voluntary, in the sense that work is not really wanted. The nonemployed will then either imply falsely to the Labour Force Survey that they are unemployed, or will say that they are out of the labour force. We call the group with misrecorded status  $U_{2L}$  and the rest  $U_{2T}$ . We then have: (2)  $L_2 = E_2 + U_{2L} + U_{2T}$ .

The third group consists of those who choose to work *more* frequently and take less leisure or work less at

<sup>1</sup> They could have tastes that mean they would not, but this seems unlikely.

<sup>2</sup> In theory one cannot, but in practice it seems that one can, if one tries.

<sup>3</sup> Benefits are available to those who quit, except that a waiting period of three weeks is imposed, instead of one week for those

whose unemployment results from an involuntary separation.

<sup>4</sup> This requires the national unemployment rate to be 4-5 percent, and the regional rate 1-2 percent above this. In the Maritimes, these conditions would almost never be violated.

home, as the UIC scheme becomes more generous. We denote the size of this group by  $L_3$ , and the number who happen to be employed at a point in time by  $E_3$ . The nonemployed will include, as with group 2, those whose status is misrecorded and others, denoted respectively by  $U_{3L}$  and  $U_{3T}$ . Thus: (3)  $L_3 = E_3 + U_{3L} + U_{3T}$ .

Of the variables so far defined, none is presently measured by Statistics Canada. What we observe is the total who say to the Labour Force Survey that they are seeking work, the total number who are drawing unemployment benefit, and the total who are employed. We call these numbers  $U_M$ ,  $B$ , and  $E_M$ . Clearly, we have: (4)  $E_M = E_1 + E_2 + E_3$ ; (5)  $U_M = U_T + U_{2L} + U_{3L}$ ; (6)  $B = U_T(1 - p) + U_{2L} + U_{2T} + U_{3L} + U_{3T}$ , in which  $p$  is the proportion of the truly unemployed who are not drawing benefits under unemployment insurance.

*Behavioural Relationships.* Denote a vector of non-UIC variables that affect participation by  $X$ , and a vector of variables representing the generosity of the UIC scheme by  $Y$ . We shall suppose that (denoting the working-age population by  $P$ ): (7)  $L_1 + L_2 = Pf(X)$ ; (8)  $L_2 = (L_1 + L_2)g(X, Y)$ , with  $g_Y$  positive.

The proportion of  $L_2$  who are not employed at any point in time depends on how much leisure is taken on average and, in general, it will be a function of both  $X$  and  $Y$ . This gives: (9)  $U_{2L} + U_{2T} = L_2h(X, Y)$  with  $h_Y$  positive.

Reasoning analogously for group 3, we obtain: (10)  $L_3 = Pf(X, Y)$ , with  $j_Y$  positive, and (11)  $U_{3L} + U_{3T} = L_3m(X, Y)$  with  $m_Y$  positive.

Defining the true labor force as  $L_T$ , we have: (12)  $L_T = L_1 + E_2 + E_3$ .

Next, suppose that the fractions with misrecorded status in groups 2 and 3 are both equal to a constant,  $k$ : (13)  $U_{2L} = k(U_{2L} + U_{2T})$ ; (14)  $U_{3L} = k(U_{3L} + U_{3T})$ .

The question that we wish to address is: how much true labor force participation is affected by the generosity of the UIC system. I. e., what is the size of:  $\delta(L_T/P)/\delta Y$ ? To make progress, we need to eliminate several variables from equations (1) to (14).

*Reduction of Equations (1) to (14).* In simplifying equations (1) to (14), we adopt two conventions. First, units of measurement are chosen in such a way that in those units the size of the working-age population is 1.0. All labor force related variables may be treated indifferently as absolute values or as rates (relative to the working-age population). Second, functions and parameters are written in lower case letters, and for functions the arguments are omitted; e. g.,  $j(X, Y)$  is written as  $j$ .

With these conventions and some algebra,<sup>5</sup> we can reduce equations (1) to (14) to: (15)  $E_M = a - b - U_T$ ; (16)  $U_M = U_T + kb$ ; (17)  $B = U_T(1 - p) + b$ ; (18)  $L_T = a - b$ , where  $a = f + j$ , and  $b = fgh + jgm$ .

We would like to estimate values for  $\delta L_T/\delta Y = (\delta a/\delta b) - (\delta b/\delta Y)$ . With this in mind, we add (15) and (16) to obtain (19)  $U_M + E_M = a - (1 - k)b$ . We subtract (16) from the sum of (17) and (19) to get (20)  $B + E_M + pU_T = a$ . Equations (19) and (20) are our basic model.<sup>6</sup> The left-hand side of (19) is the observed participation rate.

Estimation of (19) and (20) then gives estimates of  $(\delta/\delta Y)[a - (1 -$

<sup>5</sup> Available on request.

<sup>6</sup> Data on  $pU_T$  do not exist. We assumed that  $pU_T = [1 - qZ - (1 - q)Z^2]^{\sigma_m}$ , in which  $Z$  is

(fractional) coverage under unemployment insurance, and  $q$  a number selected to get the best fit in (20).

$k)b] = \Theta_1$ , say, and of  $\delta a/\delta Y = \Theta_2$ , say. Now  $\delta L_T/\delta Y = (\delta a/\delta Y) - (\delta b/\delta Y) = (\Theta_1 - k\Theta_2)/(1 - k)$ . Given a guess at  $k$ 's value,  $\delta L_T/\delta Y$  can be estimated.

We note that  $\Theta_1$  from (19) is upward biased as an estimate of  $\delta L_T/\delta Y$ , unless  $k = 0$ , which means that everyone's labor force status is correctly recorded, but that even if the value of  $k$  were known, the extent of the bias could not be estimated without the estimate of the derivative with respect to  $a$ , given by equation (20). Both (19) and (20) are therefore needed for any guess at the impact of UIC benefits.

*Specification of the Functions  $a$  and  $b$ .* The right-hand sides of both (19) and (20) are complicated functions of the variables in the vectors  $X$  and  $Y$ . They were approximated by linear functions. In  $X$  we included a number of variables to represent a number of factors known to affect labor force participation;  $X$  may be thought of as the vector of "control" variables.  $Y$  is the vector of UIC variables.

*Empirical Work.* Equations (19) and (20) were fitted to data for the Maritime provinces and for Canada.

*Specification of Variables.* Quarterly unadjusted data from 1953-I to 1973-II were used. Labor force, employment, unemployment, and working-age population came from the Labour Force Survey and were drawn directly from the Statistics Canada CANSIM tape data bank. Data on beneficiaries ( $B$ ) were from "Statistical Report on the Operation of the Unemployment

Insurance Act," Statistics Canada catalogue number 72-001.

The dependent variables were measured for males and females combined because data broken down by sex were unavailable.

The choice of independent variables other than those related to unemployment insurance was based on the same principles as those outlined in Swan,<sup>7</sup> in which sources and detailed reasons for the choices are given and in which their relationship to the work of others in the field, for both Canada and the U. S., is explained. The only substantive difference was that in Nova Scotia a dummy variable had to be included over the period 62-III and 66-I to capture the influence of an unknown factor which was depressing participation at that time.

A number of variables were considered for measuring the degree of generosity of the UIC system. The features of the system that might affect participation include the dollar level of benefits relative to current wage rates, the rate at which benefit weeks may be accumulated by working, the minimum period of work required before any benefits can be drawn, and the length of the waiting period (the time after becoming unemployed before benefits become payable).

What we wanted to do essentially was to measure the degree to which the income-leisure opportunity locus was shifted outwards as the UIC legislation changed.<sup>8</sup> We experimented with expressing the actual

<sup>7</sup> N. Swan, "The Response of Labour Supply to Demand in Canadian Regions," *Canadian Journal of Economics*, p. 7 (August, 1974).

<sup>8</sup> To our knowledge, no literature exists on precisely this problem. One article that comes close is by Raymond Munts, "Partial Benefit Schedules in Unemployment Insurance: Their Effect on Work Incentive," *Journal of Human Resources*, p. 5 (Spring,

1970). A very closely related problem is the effect of welfare payments and/or guaranteed annual income payments on the locus, and there is a vast literature on this. For some of its flavour, the interested reader might consult: C. T. Brehm and T. R. Saving, "The Demand for General Assistance Payments," *American Economic Review*, p. 54 (December, 1964); Peter S. Albin and Bruno Stein, "The Constrained Demand for



area under the locus as an explicit function of the measurable characteristics of the legislation. This method had the advantage that it implied that certain ways of combining the measures before including them as variables in the regression would lead to results superior to those obtainable by including the measures as variables in a simple linear fashion. Eventually, we were led to measurements that worked well. One was the rate at which additional benefit weeks accumulate by further work beyond the minimum required to obtain any benefit at all. This variable is called THETA in the regressions. The other was a composite variable constructed as the ratio of two measurable characteristics of the UIC system: the maximum possible weekly dollar benefit and the minimum period of work in weeks required to qualify before any benefits could be drawn. This is called *MXB/MQWS* in the regressions.<sup>9</sup>

### III. Regression Results

*General Fit.* The fits were close for data as noisy as participation rates<sup>10</sup> in small provinces. After using Hildreth-Lu, the serial correlation became insignificant, and *t*-values were generally good. Table 1 shows the details of the results.

*Control Variables in the X Vector.* The birth rate variable affected participation negatively and was significant or close to it everywhere except in Nova Scotia. A negative effect was expected. Deviations of the wage from its trend/seasonal value, which might be viewed as the expected or

normal value, affected participation negatively in all the Maritime provinces, though no effect was observed for Canada. Thus, the short-run supply curve of labor appears to be negatively sloped. The unemployment variable was not significant in Prince Edward Island and Nova Scotia, but was, with a positive sign, in New Brunswick and Canada, suggesting a net additional worker effect. Time-trend effects were mildly negative; presumably the decline in the birth rate picks up most of the rise in the female part of participation, leaving the time trend to capture the secular downward drift in male participation. Seasonal dummies, as expected, had strong effects everywhere.

*Interpretation of the Results for UIC Variables.* *MXB/MQWS* was significant in all cases but one, the exception being the *PR* equation in Nova Scotia. THETA performed less well, being significant only in Canada; it was almost significant in the *BEU* regression in Nova Scotia, but with the wrong sign.

From (19) and (20) we have that  $\delta BEU/\delta Y - \delta PR/\delta Y = (1 - k) \delta a/\delta Y > 0$ , given that  $k < 1$  and  $\delta b/\delta Y > 0$  (from the definition of *b* and earlier assumptions about various derivatives).

The theory therefore predicts that when *BEU* is the dependent variable, the coefficients of the UIC variables (those in the *Y* vector) will exceed those when *PR* is the dependent variable. The prediction is borne out for the variable *MXB/MQWS* in two of

Public Assistance," *Journal of Human Resources*, p. 3 (Summer, 1968); Christopher Green and Alfred Tella, "The Effect of Nonemployment Income and Wage Rates on Work Incentives of the Poor," *Review of Economics and Statistics*, p. 51 (November, 1969); J. Donald Rowlett, *Welfare and the Incentive to Work: The Alberta Case* (Edmonton: Human Resources Research Council of Alberta, November, 1971); and Glen G.

Cain and Harold G. Watts, eds., *Income Maintenance and Labor Supply* (Chicago: Rand McNally, 1973).

<sup>9</sup> In principle, *MXB/MQWS* should be divided by the wage rate, but in practice doing so made no real difference.

<sup>10</sup> We shall include the variable  $(B + E_n + pU_T)$ , referred to hereafter as *BEU*, in the phrase participation rates unless the context indicates otherwise.

the three provinces and in Canada. It is borne out for THETA in the Canada regression, but not elsewhere. Considered as a group, the observed results seem unlikely to have occurred if the theory was false.

If the theory is correct, it follows that the effect of the UIC variables in the *PR* regressions overstates their true effect on participation. We deduced above that  $\delta L_T / \delta Y = (\theta_1 - k\theta_2) / (1 - k)$ .

In this case,  $\theta_1$  is the coefficient of any UIC variable in the *PR* regressions, and  $\theta_2$  the coefficient of the same variable in the *BEU* regressions. The value of  $k$  is unknown. Table 2 gives the values of  $\delta PR / \delta Y$  and of the adjusted value,  $\delta L_T / \delta Y$  for each of the cases where the coefficients on the variables *MXB/MQWS* and *THETA* were significant in both regressions, and for three values of  $k$ .

The meaning of the results may be seen more clearly by estimating the impact of known changes in UIC variables on participation over the sample period. The impact may be calculated with and without adjustment. The variable *MXB/MQWS* increased over the sample period from

1.1 to 12.5, a change of 11.4. In New Brunswick, for example, the coefficient of this variable is 0.55 in the regression using measured participation rates, giving a rise in measured participation of  $11.4 \times 0.55 = 6.3$  percentage points. If we assume some value for  $k$ , say 0.7,<sup>11</sup> the adjusted value is  $11.4 \times 0.33 = 3.8$  percentage points. For this value of  $k$ , this would be the effect on the *true* participation rate—only about half the size of the measured effect, but still substantial.

In Prince Edward Island, we obtain a rise in the measured participation rate of 5.2 percentage points, which becomes, for  $k = 0.7$ , a rise in the true participation rate of 2.3 percentage points.

In Canada, *THETA* is important as well; it rose over the sample period by 0.368. The combined effects of *MXB/MQWS* and *THETA* on the measured participation rates in Canada were therefore  $(0.18 \times 11.4) + (0.368 \times 2.25) = 2.9$  percentage points. Adjusted with a  $k$  of 0.7, the effect on true participation was 1.9 percentage points. As stated earlier, we found no effects in Nova Scotia.

---

<sup>11</sup> We chose a large value in order to err on the side of conservatism in assessing the increase in true participation.

Table 1

REGRESSION RESULTS  
(See below for glossary of variable names)

Dependent Variable	UIC Variables			Control Variables							D62III-66I	Fit Criteria <sup>(1)</sup>		
	MAXB/MQW	THETA	BR+	LQGW*	UMCAN*	Constant	Time	SD1	SD2	SD3		R <sup>2</sup>	D.W.	R <sup>2</sup>
New Brunswick PR	0.55 (3.5)	1.33 (0.7)	-1.48 (-3.2)	-19.73 (-7.4)	0.29 (3.2)	59.31 (16.1)	-0.08 (-2.9)	-1.17 (-6.8)	0.63 (2.5)	2.54 (13.1)	--	0.71	2.07	0.89
BEU	0.64 (3.7)	0.19 (0.1)	-1.38 (-2.7)	-21.12 (-7.1)	0.63 (6.2)	58.93 (14.4)	-0.08 (-2.5)	1.82 (9.2)	2.81 (9.7)	2.46 (11.1)	--	0.68	1.99	0.87
Nova Scotia PR	0.18 (1.0)	1.08 (0.5)	-0.47 (-0.8)	-21.11 (-7.0)	0.12 (1.5)	51.39 (11.4)	-0.02 (-0.5)	-1.58 (-9.5)	-0.08 (-0.3)	1.61 (10.0)	-0.62 (-1.4)	0.90	1.94	0.87
BEU	0.32 (2.5)	-3.15 (-1.9)	0.50 (-1.0)	-18.51 (-6.9)	0.28 (3.1)	52.95 (14.4)	0.003 (0.1)	1.06 (4.9)	1.61 (5.4)	1.43 (6.5)	-1.80 (-4.4)	0.34	1.80	0.77
Prince Edward Island PR	0.46 (2.0)	-0.21 (-0.1)	-0.95 (-1.6)	-21.24 (-7.1)	-0.24 (-1.5)	57.87 (13.8)	-0.06 (-1.7)	-3.72 (-10.0)	0.65 (1.3)	3.35 (9.0)	--	0.55	1.97	0.84
BEU	0.58 (3.5)	3.55 (1.5)	-1.24 (-2.7)	-24.14 (-9.0)	0.18 (1.4)	57.90 (18.6)	-0.1 (-3.2)	0.25 (0.7)	3.39 (7.6)	3.74 (10.6)	--	0.31	1.98	0.78
Canada PR	0.18 (4.6)	2.25 (2.9)	-0.85 (-6.0)	-1.04 (-0.9)	0.16 (4.5)	61.14 (40.4)	-0.04 (-2.8)	-0.67 (-9.1)	0.86 (8.6)	1.95 (27.2)	--	0.59	1.69	0.97
BEU	0.21 (4.8)	2.50 (2.7)	-0.82 (-4.9)	0.06 (0.0)	0.22 (5.1)	60.80 (34.1)	-0.05 (-3.0)	0.67 (7.0)	1.87 (14.9)	1.94 (20.7)	--	0.48	1.88	0.94

(1) Not corrected for degrees of freedom (40 observations). Note: "t" values shown in parentheses.

## Glossary of Variable Names

BEU	: B + E <sub>M</sub> + pU <sub>M</sub> , beneficiaries plus employed plus those unemployed who are not drawing unemployment insurance benefits, all as a fraction of the working-age population (see equation (20)).	PR	: U <sub>M</sub> + E <sub>M</sub> , the measured participation rate (See equation (19)).
BR+	: average birth rates in current and next quarter.	MAXB/MQW	: maximum rate of benefit under unemployment insurance, in dollars per week, divided by minimum number of weeks' contribution required to qualify for benefit.
D62III - 66I	: dummy variable, unity from third quarter '62 to first quarter '66, zero otherwise.	SD1, SD2, SD3	: seasonal dummies.
LQGW*	: deseasonalized and detrended Canadian unemployment rate in all regressions.	THETA	: the number of extra weeks of benefit acquired for one extra week's contribution beyond the minimum number of weekly contributions needed for entitlement to benefits (normally a fraction).

Table 2

PARTICIPATION RATES: APPARENT AND ADJUSTED  
REGRESSION COEFFICIENTS ON CERTAIN UIC VARIABLES

Regression	UIC Variable	Apparent Coefficient	Adjusted Coefficient When the Fraction of the Voluntarily Unemployed Recorded as Unemployed is:-		
			0.3	0.5	0.7
New Brunswick	MXB/MQWS	.55	.51	.46	.33
Prince Edward Island	MXB/MQWS	.46	.41	.35	.20
Canada	MXB/MQWS	.18	.17	.15	.11
Canada	THETA	2.25	2.14	2.00	1.67

### Conclusions

The effect of the recent increase in generosity and coverage of unemployment insurance has been to increase considerably measured participation rates in Canada, New Brunswick and Prince Edward Island, but apparently

not in Nova Scotia. Where increases occurred, the rise in each true participation rate was smaller than in the measured rate, but even when a generous allowance is made for measurement error, the true increases remain surprisingly large. [The End]

## Regional Employment Impacts of Rising Energy Prices

By WILLIAM H. MIERNYK\*

West Virginia University

**H**ISTORICALLY, energy prices in the U. S. have been low relative to other prices, and relative to those in other countries. Initially, this was due to an abundant supply of domestic energy; later, it was because we were able to import petroleum at low prices. Low energy prices coupled with relatively high wages in manufacturing and construction set the pattern of investment

in this country during the past century. Industry became highly capital-intensive, which is also to say energy-intensive. Each new technical process was more energy-intensive than the process displaced.<sup>1</sup>

Today's high energy costs are often related to the September, 1973, oil embargo, but the chances are good that with or without the embargo energy prices would be about where they are today. The Organization of Petroleum Exporting Countries (OPEC)

\* The research assistance of James Maddy and Frank Giarratani is gratefully acknowledged.

<sup>1</sup> Cf. Nicholas Georgescu-Roegen, "Energy and Economic Myths," *Southern Economic Journal* (January 1975), pp. 347-381.

was formed for the specific purpose of raising oil prices. And the umbrella over international oil prices has had a major impact on the price of coal.

Until recently, coal was one of the greatest energy bargains available. The coal market approximated textbook perfect competition. Since perfect competition leads to optimal conditions for consumers, many coal buyers enjoyed a substantial consumers' surplus. But someone has to bear the cost on the supply side, and there was strong downward pressure on wages during the long years of a highly competitive coal market. The market was glutted periodically, and unemployment was widespread. The problems of the coal industry were exacerbated by rising imports of low-cost foreign oil following World War II; cyclical unemployment became chronic and structural for many displaced coal miners.<sup>2</sup>

Cheap energy was a major stimulus to growth in the American economy. Urbanization during the 1950's, and the uninterrupted economic growth of the euphoric 1960's, could not have occurred without low-cost energy. Meanwhile, poverty in the coal regions of Appalachia became endemic. Employment in the mines declined precipitously, and the price of coal remained depressed. It is not unfair to say that the energy-producing sectors subsidized the growth of urban (and suburban) America in the 1950's and 1960's.<sup>3</sup>

Cheap energy contributed to relative price stability in the goods-producing

sectors, and cheap energy was a major factor in the durable goods boom—both in autos and electrical appliances—of the 1960's. Urban dwellers benefited both as producers and consumers from the low prices paid for energy. One cannot say that *all* of the benefits of cheap energy were enjoyed by urban residents or that *all* the costs were borne by the residents of energy-producing regions. But in relative terms, one can say that urban America benefited more from cheap energy than, say, Appalachia. The social costs of cheap energy—high unemployment, environmental degradation, forced migration—were also heavily concentrated in such regions as Appalachia.

The price of coal in the U. S. rose sharply in 1969, and there was a further increase in 1973. While the price of coal has declined from the 1974 peak, it remains high relative to 1960 prices. Coal and oil prices are not independent of one another. A substantial break in the world price of oil would be followed by a corresponding decline in coal prices.

## Price and Supply

A number of economists who have commented on the energy issue believe that present high oil prices will subside. Some, such as Adelman and Mancke, feel that OPEC's success was largely due to the "misguided policies of the U. S. State Department."<sup>4</sup> Others agree with Aliber that "cartels have their momentum; they work when their members believe they will work and fold

<sup>2</sup> To meet the threat of competition from cheap oil, John L. Lewis negotiated the famed "mechanization agreement" of 1950. This contributed to the well-being of employed coal miners, but caused a massive displacement of labor and high rates of chronic unemployment in the nation's major coal regions. See John P. David, "The National Bituminous Coal Wage Agreement of 1950," unpublished doctoral dissertation, West Virginia University, 1972.

<sup>3</sup> I realize, of course, that not all urban dwellers shared in this affluence. In this paper, however, I am able to focus only on the regional aspects of the distribution problem.

<sup>4</sup> Richard B. Mancke, *The Failure of U. S. Energy Policy* (New York: Columbia University Press, 1974), p. 28. See also M. A. Adelman, "Is the Oil Shortage Real?" *Foreign Policy* 9 (1972).

when that belief is eroded.”<sup>5</sup> The *Wall Street Journal* has publicized this point of view evidently in the belief that wishing will make it so.<sup>6</sup> Finally, there are those who believe that our energy problems are due to the inability of a bumbling Congress to deal forthrightly with the machinations of the “domestic oil cartel.” Ulmer has stated his belief that “if the power of the federal government were used effectively . . . the domestic cartel could be broken almost at once and the stranglehold of the OPEC countries severed within two years.”<sup>7</sup> He goes on to suggest ways that public policy could stimulate the production of domestic petroleum.

This small sample of opinions reflects a common theme: namely, that the “energy crisis” is a transitory phenomenon; it is the result of political ineptitude. None of these authors considers the possibility that high energy prices might be largely the result of physical supply constraints. The only constraints they recognize are considered to be man-made, and hence could be corrected by right-thinking and effective political leaders.

Economists of this persuasion ignore the warnings of reputable scientists that the U. S. is rapidly running out of oil and gas reserves, although the evidence assembled by the National Academy of Science is convincing.<sup>8</sup> As-

suming that we continue to import 35 percent of the oil and gas we consume, the NAS study indicates that the domestic supply of these sources of energy will be exhausted within 40 years!

The majority of energy economists appear to be technological optimists. Anyone who dwells excessively on the supply side of the energy issue is likely to be labeled a doomsayer and consigned to the Forrester-Meadows Limits to Growth School.<sup>9</sup> Technological optimists are unperturbed by talk of supply limitations. So what if we run out of oil and gas? Other sources of energy will take their place—fission, fusion, solar energy. Technology has solved our economic problems in the past, and it will solve the energy problem in the future. Despite the warnings of Georgescu-Roegen—warnings which no economist has attempted to refute—many economists appear to believe that somehow the energy problem will be “solved” and that energy prices will go down relative to other prices. If this would happen, we could get back on the growth turnpike of the 1960’s.

### Employment Impact

But what if Georgescu-Roegen is right, and energy prices continue to be high? What kind of regional employment impacts will result? I do not pretend to have the definitive answer,

<sup>5</sup> Robert Z. Aliber, “Impending Breakdown of OPEC Cartel,” *Wall Street Journal*, March 20, 1975. A somewhat more analytic treatment is given by the same author in “Oil and the Money Crunch,” *National Westminster Bank, Quarterly Review* (February 1975), pp. 7-19.

<sup>6</sup> For a typical discussion, see Lindley H. Clark, Jr., “Many Analysts See Weakening of OPEC, Oppose Concessions by U. S. to Oil Cartel,” *Wall Street Journal*, March 14, 1975.

<sup>7</sup> Melville J. Ulmer, “Thwarting the Cartel,” *The New Republic* (February 15, 1975), p. 10.

<sup>8</sup> See, for example, *Mineral Resources and the Environment* (Washington: National Academy of Science, February 1975).

<sup>9</sup> See Donella H. Meadows, et al., *The Limits to Growth* (New York: Universe Books, 1972). This study, sponsored by The Club of Rome, has provided a number of economists with the opportunity to display their wit and wisdom by unveiling its unscientific character. As one of a large number of critiques that could be cited, see Carl Kaysen, “The Computer that Printed Out W\*O\*L\*F\*,” *Foreign Affairs* (July 1972), pp. 660-668.

but I can give some preliminary results of a study recently undertaken to try to answer this important question.

The most recent input-output table for the U. S. (1967) was recalculated in 1974 prices. The object was to identify direct and indirect *price* effects by sector. The full details are too voluminous to be given here, but coal mining heads the list of price increases, followed by petroleum refining, and the production of crude petroleum and natural gas. A number of major energy consumers, including the primary metals sectors, registered price increases well above the national average. Value added by sector was also calculated, with the largest increases registered by the three primary energy sectors.<sup>10</sup> Wages went up less than prices in these sectors, so one may deduce that they enjoyed substantial windfall profits.

The question of interest is: Which states were beneficiaries of windfall gains from the production of energy and which states will pay the bill? There is no simple method of disaggregating national data on a special basis, and state data available at the moment are quite fragmentary. But the available information is suggestive.

Employment in the primary energy-producing sectors (SIC 11 and 12, Coal; SIC 13, Oil and Gas) has been estimated, along with employment in each state's export base sectors (as distinguished from residentiary or supporting activities). Thirty-four states have some employment in energy sectors. But the ratio of energy employment to export base employment is above the national average in only 16 states (see Table 1).

<sup>10</sup> I am indebted to my colleague, Dr. Frank Giarratani, for the suggestion that "value added" could be estimated as a residual after price changes in the interindustry

What can be said about economic conditions in the states that produce no energy? How do these conditions compare with states that do produce energy? This is where we have to rely for the present on fragmentary information—frankly, newspaper reports. The *Washington Post* reported on April 13, 1975, that unemployment compensation funds were being depleted in seven states and Puerto Rico. The states are: Michigan, Massachusetts, Connecticut, Vermont, Rhode Island, Washington, and New Jersey. Of these, Michigan is the only one to report employment in an energy sector, where it amounts to only .06 percent of total employment and .13 percent of export base employment. Other states which have reported fiscal difficulties, according to an April 7 UPI release, include Florida, New York, and New Hampshire. Florida and New York report miniscule amounts of employment in oil and gas production, but New Hampshire has no employment in an energy sector.

On the other side of the ledger, modest to large budget surpluses have been reported by Texas, California, Minnesota, Montana, Kansas, Hawaii, Iowa, Indiana, North Dakota, Arkansas, Kentucky, and West Virginia. Minnesota and Hawaii have no employment in basic energy sectors, so their relatively favorable fiscal positions cannot be explained by escalating energy prices. Similarly, Iowa could not attribute its favorable fiscal position to the rise in energy prices.

But the other states that are doing well in terms of budgets are producers of basic energy. In some cases, notably Kentucky and West Virginia, budget surpluses are largely attributable to

portion of the table had been calculated. I am also indebted to him for seeing that the calculations were carried out.

TABLE 1

**Employment in Primary Energy Production as Percent of Total Nonagricultural Employment and as Percent of Export Base Employment, Selected States, 1973**

<i>State</i>	<i>Energy Employment as Percent of Nonagricultural Employment</i>	<i>Energy Employment as Percent of Export Base Employment</i>
1. Wyoming	7.56%	32.37%
2. West Virginia	11.29	27.38
3. Louisiana	5.56	21.39
4. New Mexico	2.95	16.24
5. North Dakota	1.40	13.23
6. Arizona	13.14	11.30
7. Alaska	2.05	13.14
8. Oklahoma	2.90	10.56
9. Texas	2.34	8.61
10. Kansas	3.15	8.25
11. Utah	1.26	5.15
12. Montana	.92	4.74
13. Colorado	.84	3.86
14. Virginia	.98	3.06
15. Pennsylvania	.85	2.10
16. Mississippi	.84	2.01
United States	1.59	1.75

*Source:* Calculated from U. S. Bureau of the Census, *County Business Patterns 1973*.

unanticipated increases in tax collections on coal. The analysis has been complicated by the current recession, the major cause of the difficulties faced by Michigan and states in the industrial Northeast. But the recession has been cushioned in energy-producing states by rapid increases in revenue from energy sources.

### Shift in Real Income

The recession will end, and the employment and fiscal positions of presently hard-hit states will improve. But, as the demand for energy in-

creases with a rise in industrial production, it is likely that there will be further increases in the prices of coal and petroleum. Supply constraints will not disappear.

Workers in the energy sectors will be able to negotiate substantial wage and fringe increases, and energy-producing states will derive a growing proportion of their revenues from the coal and oil sectors. In West Virginia, for example, the state tax on coal was increased from 1.5 percent of sales value when coal sold for about \$4.00 per ton to 3.85 percent when the average price



of coal ranges between \$20 and \$25 per ton.

As the relative price of energy continues to rise, there will be a shift in real income from energy-consuming to energy-producing states. Some of the economic rents which accrued to urban America will be returned to the coal and oil-producing areas. Profits earned by energy-producing companies will not remain in the producing regions, although as long as these sectors are expanding, a significant share of these profits will be ploughed back into the expansion of capacity. Despite increasing mechanization, coal remains a labor-intensive economic activity with labor costs accounting for about 39 percent of total direct costs. Rising coal wages will boost personal income in coal-producing areas, and will have the usual income and employment multiplier effects. Some of the coal prosperity will rub off on other sectors in the regions involved.

Although some regions will gain in income and employment at the expense of others as the result of rising energy prices, depressed coal-producing regions will not automatically be transformed into islands of prosperity. The benefits of high energy prices will not be widely diffused, although the extent of diffusion will depend upon the relative importance of energy production in each state. In Alaska, New Mexico, West Virginia, and Wyoming—where energy employment ranges from 13 to 32 percent of export-base employment—the benefits of higher energy prices should be widespread. In Kansas, Kentucky, Montana, Oklahoma, Texas, and Utah—where the energy/export-base employment ratio ranges from about 4 to 11 percent—there will probably be less diffusion of benefits. Nevertheless, all of these states should gain relative to the nation.

The high unemployment rates found in many coal regions during the nation's prosperous years should continue to decline. States with heavy dependence upon energy production should move up the per capita income ladder; other states will be displaced downward. The depressed areas of the next decade might well be concentrated in industrial states heavily dependent upon imported energy.

### Consequences

The objective of this paper was the relatively straightforward one of examining the regional impacts of rising energy prices. I want to be careful not to draw welfare implications from the conclusions reached. I have suggested that the benefits of rising energy prices will not be widely diffused; it goes without saying that the costs will be. All of us, as consumers, will be affected by higher energy prices. And, while we have not yet learned the lesson of conservation, we will as the prices of gasoline and electricity continue to rise relative to other prices.

The traditional response to secularly rising prices in a market economy is to trim back on demand as much as possible. One possible consequence could be a reduction in the waste of energy so conspicuous in our society; another could be a reversal of the long-run trend toward ever increasing capital-intensity. A third and far more disruptive effect would be a substantial relocation of industry. These are issues, however, which go beyond the scope of this paper. All I am suggesting here is that the "energy crisis" has already had demonstrable regional employment and income effects and that if energy prices remain high these effects will not be transitory.

[The End]

# Economic Development in New England: a Discussion

By LEONARD J. HAUSMAN

---

Brandeis University

---

**T**IMES ARE BAD in New England. That is not news. Regionally, unemployment reached 11.7 percent in the spring of 1975. In individual states, the situation is worse: Rhode Island recorded an unemployment rate of 16.2 percent and Massachusetts had a 12.1 percent rate in April 1975. The regional rate, having climbed rapidly in recent months, is almost three points above the national average.

Times will not be much better in New England in the near term, even as the economy as a whole improves. The slow recovery of the region is explained partially in the papers of Miernyk and Pinsky. In discussing their papers, I will emphasize that New England may be in for a relatively long period of economic decline. The factors they state, as well as some others, point to a lengthy period of relatively high regional unemployment.

Pinsky's basic point is that the relative rise in regional energy prices experienced by New England has an important implication for relative cost structures. Given the reliance of this region on imported oil and its limited access to price-controlled domestic supplies, it will begin to suffer greatly from the energy price increases originating with the Arab oil embargo of 1973. New England has become a more expensive place in which to do business for all firms, but especially for those that are energy-intensive. Consequently, as multiplant firms make decisions as to

which plants ought to reopen following the recession or decide where to locate new plants, New England states should begin to experience the negative employment effects of shifting relative costs.

Miernyk's major point has more immediate implications for the employment and income effects of rising energy prices. Even if energy prices are not rising relatively more in New England than elsewhere in the country, their increase relative to the increases in the prices of other commodities will cause an immediate regional redistribution of income. As income flows out of this region (to the coal, oil, and natural gas states), firms not located in the New England export sector experience cutbacks in demand. Simply put, luncheonettes will sell fewer ice cream cones, and cleaning stores will press fewer pants. Employment and income will drop rather quickly in response to the regional outflow of increased energy expenditures.

Whether this is desirable or not—Miernyk as a West Virginian seems to rejoice in the end of the era of "cheap" coal—New England is suffering from an immediate and long-term regional redistribution of employment and income. Barring a fall in absolute and (regionally) relative energy prices and in view of the other factors impinging negatively on the economy of the region, New England well may become the Appalachia of the 1970's. (In a few years, we may be hiring Professors Somers and Miernyk to study efforts to retrain and relocate workers in this depressed area!)

## Other Sources of High and Rising Unemployment in the Region

Before examining the factors other than rising energy prices that are causing economic difficulties in this region, note should be made of our recent unemployment experience. As recently as 1967-1969, unemployment in this region was below the national average. In Massachusetts, where 50 percent of regional employment is located, unemployment was 2.9 percent in 1969, while the national rate was 3.5 percent. As the recession of 1969-1971 started, regional unemployment rose dramatically, never to return to its prerecession absolute or relative position. Since the absolute and relative rise in regional energy prices is a more recent phenomenon, whose full impact yet is to be felt, we must inquire into the full range of factors that are affecting adversely the economy of the region. Some of these factors were touched on lightly in the Pinsky paper.

Factors accounting for the relative rise in regional unemployment may be divided into those affecting first the demand and then the supply side of the labor market. On the demand side, cyclical change in the level of aggregate demand undoubtedly is the major reason for rising unemployment. Unemployment in New England is likely to rise more rapidly than elsewhere to the extent that physical plants in particular industries are older in this region. Similarly, if plants are older and more costly to operate they will be reopened later in the recovery than will plants elsewhere. This would argue for the recession being longer and deeper in New England, unless our industry mix is particularly recession-proof.

Changes in the composition of national demand also have affected ad-

versely the economy of this region. Federal space expenditures dropped from \$5.9 billion in 1968 to \$3.2 billion in 1974. Federal defense expenditures were stable over that period at \$80.5 billion. Associated with the falling space and stable defense expenditures has been a shift in the composition of defense expenditures. The Department of Defense now spends a larger portion of its funds on military salaries, a stable portion on research and development, and a falling portion on military hardware.

For states like Connecticut and Massachusetts, the changes in the level and composition of space and defense expenditures together mean less employment for researchers and engineers as well as for highly skilled production workers. Thus, in the period 1968-1974 in Massachusetts, an important state for space and defense contracts, employment fell by 31 percent in the electrical machinery industry, by 20 percent in ordnance, and by 13 percent in firms producing transportation equipment. These defense-oriented industries must face the fact that space and defense expenditures have changed in level and nature on a long-term basis.

### Long-Term Declines

New Englanders commonly understand that textile and leather products firms also have experienced long-term declines in demand. The reduction in demand has been experienced even in the recent past, and rather dramatically. Turning to Massachusetts again, note that over the period 1968-1974 employment in the leather products industry fell by 42 percent, in textile mills products by 18 percent, and in apparel and other textiles by 15 percent. As with employment related to space and defense ex-

penditures, these trends are unlikely to be reversed in the near future.

A less important declining industry in this region is higher education. For particular areas within the region, however, like the Boston SMSA, its decline will matter. In the Boston area, 3.5 percent of the labor force is employed in higher education. To compensate for the secular decline in space, defense, textiles, leather, and higher education, the region quickly must develop alternative economic activity to meet the employment needs of its expanding labor force. Faced with the additional burden of rising relative energy prices, this task will not be accomplished easily. Thus, we can explain the recent absolute and relative increase in unemployment—and anticipate more difficulties in the future.

On the supply side of the labor market, Swan's paper alerts us to an important problem. His argument is that the labor force may be sensitive to the structure of the unemployment insurance (UI) program. In his study, he found that labor force participation rates rose in certain Canadian provinces as the period of work that qualifies persons for UI benefits fell in length. These participation rates rose particularly among secondary workers, married women, and youth, which makes his results particularly plausible. He does not point out that this rising labor force participation most probably has raised the measured unemployment rate, and for two reasons: the induced participants are those whose counterparts normally experience relatively high turnover unemployment; the induced participants are likely to be entering the labor force largely to receive UI benefits following short stretches of work.

In the New England region, the UI program works somewhat differently, but also may be inducing higher unemployment. If the UI program is administered in a particularly liberal manner in this region, it may be inducing people to prolong the duration of their unemployment spells. If that is the case, then UI would be pushing up the regional unemployment rate. Given the results of studies like Swan's, we need to compare the administration of UI in that region with its administration elsewhere. Having done so, we can investigate the impact of this on the duration of unemployment among UI beneficiaries.

### Unemployment Prospects

Times are bad in New England, even relative to how they are elsewhere in this country. Prior to the energy price increases experienced in the fall of 1973, Frederic Glantz of the Federal Reserve Bank of Boston forecast an improvement in the relative position of the New England economy. He argued that basically the region was tied into growth industries. High relative costs, transportation and other, would keep our growth from matching that which will be experienced by other places with similar mixes of industry. But now a new factor has been added: a change in the price of energy.

Miernyk argues that the energy price increases are unlikely to be reversed because of supply constraints. Whatever the supply constraints, energy prices may stabilize at their new high level because of the continued power of the oil cartel. Stable, high relative energy prices, coupled with public resistance to development of local energy supplies, well may spell long-run economic difficulties in this region. As

illustrated in a *New York Times* article of December 8, 1974, the energy costs of running given textile or metal-working plants vary quite substantially among regions. Employers will be sensitive to such cost differences. As

they act on this knowledge, our unemployment situation can only worsen. Continued insensitivity on the part of the public and its representatives to these facts of energy costs is unwise.

[The End]

---

## Impact of Income Maintenance Programs in the Maritimes: a Discussion

By F. C. WEIN and P. M. BUTLER

---

Dalhousie University

---

AS CANADIAN systems of social security have become more generous, there appears to be an increasing awareness by Canadian scholars of the relationship between income maintenance programs and the nature of participation in the work world. We deem it particularly appropriate that the attention of Neil Swan should be directed at this problem in Atlantic Canada, as historically economic adaptations in the region have been such that a generous system of cash benefits from nonwork sources might have the effect of reducing the incentive to wrestle with what has been termed "a particularly unfavourable set of economic circumstances and characteristics."

Dr. Swan's work on unemployment insurance benefits is a significant part of a larger project in the Maritime provinces which addresses the issue of the effect of income maintenance programs on the economic development of the region. The approach of Swan and his colleagues is significant because it provides data to examine the ways in which greater accessibility to income maintenance programs

(particularly unemployment insurance benefits and social assistance payments) have influenced labor force participation rates during a very recent period. Without detracting from these results, we would like to present some ideas on what a more complete analysis of this issue would look like, from a more sociological point of view.

The work of Dr. Swan and his colleagues is quite interesting and provides additional support for the idea that income maintenance programs, as they are applied in the region, do not appear to reduce labor force participation. They conclude, for example, that the number of able-bodied receiving municipal social assistance is quite small, their job opportunities are very restricted, the financial advantages of being on welfare (rather than working) are not present except in the case of large families, and more generous welfare payments do not appear to be associated with an increase in welfare caseloads. In the case of unemployment insurance benefits, they present the very interesting finding that improvements in UIC payments have, if anything, led to an increase in true labor force participation—at least in New Brunswick and Prince Edward Island, if not in Nova Scotia

(why the Nova Scotia data should behave differently is not explained, however). As far as we are aware, this is an important contribution to the literature, at least in Canada.

### Static Impression

Before accepting these results completely, it may be useful to consider whether the authors' complete reliance on aggregate data, taken annually or quarterly, may not give a more static impression of the work-welfare linkage than is actually the case. This, plus the usual assumption made by economists regarding individual economic factors freely making decisions in the market place, may lead to some unwarranted conclusions. We give three examples.

There is a tendency to suggest that individuals have *chosen* work over welfare, or that the work disincentive effect of income maintenance programs is low. Actually, there are no data on choice presented, nor can we conclude that persons on social assistance do not, over a period of time, lose their incentive to work. All we know is that, for whatever reason—and it could be due to the restrictive application of policies at the local level, for example—few people are on social assistance without a socially acceptable reason for being there (e.g., disability); and, secondly, more generous benefits are not associated with a decrease in labor force participation.

Data collected in the United States indicates considerable circulation of individuals among the worlds of marginal or peripheral work, social assistance, the "hustle" economy, and manpower retraining programs. Some impressionistic data from the Maritime region also give support to this pattern. It would appear then, that income maintenance programs, rather than being regarded as an alternative

to work or a competitor with work, may be seen as part of a complete lifestyle package that allows seasonal or part-time work to be feasible for some individuals. There are really two points here that need to be sorted out. One is the positive role of Unemployment Insurance Benefits in drawing persons into the labor force, thereby providing additional and perhaps more stable income for families. This argument is well developed in the Swan paper. A second point, however, is the cyclical movement that may be occurring not only between work and social assistance, but also in and out of training programs and unofficial or illegal work patterns. A complete analysis of the role of income maintenance programs would have to trace the dynamic flow among all of these systems.

From our readings and contacts in the region, it would appear that the community context in which income maintenance programs operate is an important variable affecting the labor force participation of recipients. In a community where the proportion of recipients is small, the social norms of the community would tend to encourage participation in the labor force. We have, however, experienced a considerable increase in income maintenance payments in the Maritime provinces in the last decade. When combined with high unemployment rates, especially for primary producers, many rural communities are in a situation where a majority in the community receive some form of social security payments. The "dole" then becomes defined as normal and acceptable, at least for certain seasons of the year. Aggregate secondary data tend to mask this community threshold effect and may lead to more complacency about the economic effect of income maintenance programs than is warranted.

## Reasons Uncertain

If we can summarize these points in a general way, then, we are not sure that the use of aggregate data in a multiple regression analysis provides a complete picture of the situation. It involves a somewhat atheoretical, empiricist approach, and leaves us uncertain about the reasons for the inclusion of some variables and not others, their possible interaction, and how the results are filtered through the system (e.g., how the results would look in rural as opposed to urban areas or in different types of communities).

The underlying message of the Swan paper, and an explicit one in other writings emanating from the regional project, is that on the whole income maintenance programs are economically beneficial for the region. In addition to data showing a positive relationship between labor force participation and the generosity of income maintenance programs, additional information is presented to the effect that these programs create employment in the region. This is due to more funds coming into the region from the federally funded programs than is taken out in the form of taxes.

Before accepting this conclusion, however, there are at least two areas not yet examined by the authors. One is the effect of the programs on the "work incentive" of the firms or employers in the region. To what extent, for example, do wage supplements to the working poor and training allowances subsidize or continue the viability of low-wage employers? What is the effect of this conservative influence on economic development in the region? To what extent do income maintenance programs of the government relieve the employer of responsibility for the social consequences of laying off a part of his work force for a season or leaving the region altogether?

The other neglected area is the effect of social assistance on the work incentive of those who are already receiving benefits. From all accounts, this is a very negative effect, resulting in decreasing independence, self-respect, initiative, and adaptive capacity on the part of the welfare recipient. In this connection, it would be important to examine the structure of income maintenance programs that in many cases penalize the recipient by reducing his benefits if he receives earned income through employment.

Finally, in addition to labor force participation data, we need to examine information which indicates how often, and for how long, individuals are supported by income maintenance programs, and how frequent mobility between reliance on work and on income maintenance programs affects the development of commitment to a specialized work career. If these kinds of considerations are added to the equation, we wonder if the net effect of income maintenance programs would still be positive for the economic development of the region.

## "Benefits" Not Preferred

Once again, then, we have results indicating, albeit indirectly, that individuals prefer not to be unemployed and receiving the "benefits" of income maintenance programs. Paradoxically, the policy implications that others will probably draw from these results is that income maintenance programs do not have a work disincentive effect. They may even increase the supply of jobs and labor force participation in a region such as the Maritimes. Consequently, there is no need to be concerned about expanding and consolidating these programs in the form of a guaranteed annual income. This is under very serious consideration by federal and

provincial governments in Canada at an estimated additional cost of one billion dollars.

While not wishing to deny that current income maintenance schemes cannot be improved and consolidated, surely the policy priorities suggested by these kinds of results should be in the direction of innovated programs to expand job opportunities and reduce barriers to rewarding employment, even for many persons currently clas-

sified as disabled. In the absence of more explicit attention to the policy implications of the results, we are concerned that this research will become part of the emerging rationalization for a society where some individuals have stable, secure, and well-paying jobs in the center of the economy, while the remainder are "taken care of" by guaranteed annual income schemes, training programs, and intermittent marginal work. **[The End]**

---



## SESSION IV

# Labor Relations in a Period of Inflation and Recession Management Views

By JEROME M. ROSOW

Exxon Corporation

**T**HE CURRENT state of the U. S. economy presents a labor relations climate which has features of representing the worst of both worlds. Inflation, although abated from its frightening double-digit spiral, is still a serious problem, and recession is still reaching for the bottom. These contradictory forces have baffled the economists and introduced new and confusing crosscurrents in collective bargaining as well as ongoing labor relations and personnel management.

### Inflation Aspects

*Real Purchasing Power.* From the standpoint of unions and workers, the explosive inflation of the past two years has produced a 9 percent drop in purchasing power. A recent survey (April 30) by Yankelovich, Skelly, and White for General Mills found that 37 percent of American families are feeling the economic stress and report that they cannot keep up with their present standards.

*Contract Duration.* Long-term contracts which provide a real measure

of labor peace must be weighed against annual agreements in view of the difficulty of forecasting wage trends. The new price tag for a long-term agreement is the cost-of-living escalator. Major agreements which were negotiated during periods of double-digit inflation and combined open-ended COL payments (steel and autos) plus guaranteed annual raises tend to exceed the fixed wage-price bargains. Negotiators may be more attracted to shorter term agreements as a means of hedging during a period of economic uncertainty.

*Catch-up Bargaining.* There is a new prospect of catch-up bargaining growing out of the current distortion of wage structures which are by-products of inflation with recession. Hard-hit, severely depressed industries are settling for small increases, while strong industries are negotiating big settlements. These big disparities point to catch-up drives in 1976-1977, when the economy will be strong and more responsive to such demands. The key 1976 contracts that bear watching in-

clude rubber workers, teamsters, auto workers, construction workers, and electrical equipment.

*Economic Security Programs.* Inflation undermines the economic security of workers (especially the older workers) and the ability to predict the economic future. This uncertainty has led to demands for pension escalation. Although these demands are resisted in terms of their long-term costs and the absence of sustained experience, they lurk in the background. Further, the deterioration of pension security has an adverse effect upon early retirement programs and manpower flexibility. Here inflation makes it more difficult for older workers to opt for early retirement and puts pressure on the younger workers with less seniority in periods of manpower readjustment. This introduces long-term economic costs to the firm that deserves to be considered in labor relations policy.

*Unit Labor Costs.* Inflation combined with recession has adverse effects on unit labor costs across broad sectors of the economy. For the first time since productivity numbers have been collected by the BLS, the U. S. has experienced a decline in productivity at a time of high inflation, a decline of 7 percent. The obvious effect is a sharp jump in unit labor costs. In effect, the gap between inflation and productivity translates into a rise in unit labor costs. This means increased cost pressures and increased difficulties in negotiating favorable labor contracts are placed upon the firm. Inflation thus leads to manpower cuts to offset higher costs of production, since manpower costs are more elastic than raw material or equipment costs.

*Productivity.* Productivity problems are intensified in this economic climate due to the high cost of capital, excessive spare capacity, a continued use of aging or obsolete equipment, lags

in technology, and the profit-margin squeeze. Pressures for increased productivity are thus more difficult to satisfy with the injection of capital and machines. Often by the time the productivity crunch is really felt, it is too late to provide for worker and union participation in long-term efforts to raise productivity.

*U. S. Postal Negotiations.* The current negotiations for 600,000 postal workers may well have precedent-setting effects on late 1975 and early 1976 bargaining. The union wants a 35-hour work week at no reduction in pay (compared to present 40-hour week). It has asked for wage increases considerably in excess of the 5 percent ceiling set by President Ford. Quarterly cost-of-living adjustments (plus extra adjustments for high-cost areas), fully paid life and health insurance, pensions, a new dental insurance plan, and retention of the "no layoff" clause in the present agreement are other demands.

It is interesting to note that since 1970, when the postal workers struck the government and were separated from the federal pay system, the wages for postal carriers have advanced about 30 percent faster than comparable salaries for federal employees. Here we see the product of a combination of new militant unionism in a period of high inflation with the cost borne directly by consumers and taxpayers.

*The Public Sector.* Here, labor relations are caught in a most painful squeeze. State and local governments, which have represented one of the strong employment growth sectors of the economy, are now faced with a rash of financial crises. Dependent upon borrowing and taxes, the cities are hit by high interest rates, falling credit reliability, and tax resistance. With fixed costs representing about 80 percent of all costs, there is little room

for maneuvering. With manpower representing about 70 percent of all costs, the pressure point has now become staff reductions in state and municipal payrolls.

This has introduced a new dimension in labor relations in the public sector and one that will be very difficult to resolve amicably. One of the greatest single problems in public sector bargaining is the state of the development of the art, the high turnover of political officials, the absence of strong management on the government side, and the lack of a strong and continuing commitment to sophisticated labor-management programs.

### **Recession Aspects**

*Unemployment.* The record-breaking levels of unemployment with no letup in sight provide a dark and gloomy backdrop for labor relations. Although this has the effect of loosening up the labor market, it does not promote better labor relations because these factors are external to the firm. Further, high levels of unemployment are adverse to purchasing power, to business confidence, and to a sense of confidence and security within the work force. Despite our familiarity with the business cycle, the severity of this recession and the projections for continued high unemployment are most unsettling to unions and workers.

*Seniority Systems.* The recession has produced a new confrontation between classic seniority systems and affirmative action programs. Pending the outcome of current court tests, seniority systems will prevail and produce problems with regard to younger workers, minorities, and more recently employed women. The intensity of this short-term economic crisis will undermine many of the long-term goals in labor relations. Management and labor will be well advised to begin

planning now for the future when employment will turn up so that employment practices will be responsive to these problems.

*Layoff.* It is accepted practice to use the employment freeze, normal attrition, and early retirement as preferred alternatives to the forced layoff. Sound labor relations require an active and complete manpower inventory by age, sex, service, occupation, and location so that the various alternatives to layoff can be fully considered. The new alternatives to layoffs which are attracting some attention are work-sharing and reduced hours. These represent some production and management problems; but they may also present sound investments for the future, especially in small communities where one or a few companies dominate the entire economic scene.

Another alternative to layoffs is a re-examination of contracting-out practices. Any opportunities to shift current workers from production to maintenance or construction work, or to recapture for the firm activities which have been subcontracted, help to stabilize the work force.

*Attitudes.* Management should guard against developing tough and hostile attitudes toward labor during periods of high unemployment. Feeling that workers should appreciate having a job when millions of others are unemployed may spill over into some insensitivity and create unreasonable management expectations. Antiworker or antilabor attitudes will poison long-term relationships and will also hurt effective current production.

*Communications.* The economic conditions of sales, production, costs, and profits should be communicated to unions and workers with regularity. There is a growing social demand for information. The SEC is pressing corporations for increased business re-

porting and more transparency. This has particular relevance to employees in the organization who have an effect on costs and profits. Increased transparency at this time also implies a willingness to continue the practice into future years. The other side of telling is listening. Management should take the initiative to increase the level of listening to the workers and the unions during these difficult times.

*Productivity Bargaining.* Recessions dry up voluntary quits, create serious insecurities for all workers, and reduce the willingness to cooperate with change. Productivity bargaining may present a new approach to a joint solution of labor-management issues and to

cooperation which can result in breakthroughs in efficiency. Management needs to offer tradeoffs in the form of security and income to open up true cooperation to cut costs.

Unions and workers are motivated to cooperate to save jobs rather than face the axe after it is too late. The initiative is with management (note the belated cooperation in New York City). Labor relations are not strengthened by a recession. During a recession, absenteeism and quits decline. But, problems of morale, uncertainty about the future, and less opportunity diminish the workers' effectiveness. Fear is never a valid motivator.

[The End]

---

## Labor Relations in a Period of Inflation and Recession: Policies of the NLRB

By JOHN H. FANNING<sup>1</sup>

---

### National Labor Relations Board

---

LOOKING at the program for this session, I see what looks like a typical tripartite arrangement. A union representative, a management representative, and a public representative attempt to strike a balance and see that an unbiased view is presented. I am not at all sure that the question implicitly raised by your topic can be handled in quite that way, because it may misconceive the role of the National Labor Relations Board (NLRB).

Almost the only good thing I can say about our present economic con-

dition is that no one has blamed the NLRB for it. Nor have any of the proposed solutions to our current problems suggested anything the NLRB should or could do to bring us back to prosperity. And this is as it should be, because the Board has a different function.

As you may know, the Board this year is celebrating its 40th anniversary, having begun its operations in 1935 as a product of the Great Depression. Section 1 of the Wagner Act, which still remains the core of the act we now administer, states the policy of the United States to be the elimination of the causes of certain sub-

---

<sup>1</sup> Mr. Fanning is a member of the Rhode Island and U. S. Supreme Court Bars and a graduate of Providence College (A.B.) and the Catholic University of America School

of Law (LL.B.). He has been a Member of the National Labor Relations Board since 1957.

stantial obstructions to the free flow of commerce. This is to be accomplished by encouraging the practice and procedure of collective bargaining and by protecting the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the purposes of negotiating the terms and conditions of their employment, or other mutual aid or protection.

What the Board is mainly concerned with is collective bargaining as a process, not with the terms of the bargain that is eventually made or with furthering any particular economic or fiscal policy. It is the process of collective bargaining which has produced supplemental unemployment benefits, cost-of-living allowances, pension, retirement, and profit-sharing plans. These have improved the economic position of many employees and provided a hedge against recession and inflation and the employment problems they bring. The NLRB cannot be said to have been for or against any of this. It has simply endeavored to provide the environment in which productive bargaining could happen.

### Too Much Interference

This was recalled to me with some force when I looked at the agenda for this meeting. Last night you heard a distinguished dinner speaker, Secretary of Labor Dunlop. Several years ago, so long ago that I was not on the NLRB, Professor Dunlop, as he then was known, together with another Harvard professor who has achieved some prominence since then—Archibald Cox—wrote some pieces for the *Harvard Law Review* that taxed the Board with having interfered too much

with the substance of collective bargaining.<sup>2</sup>

The Board never officially answered those learned pieces, but in the February, 1951, issue of the *Columbia Law Review* there appeared an article entitled "Regulation of Collective Bargaining by the NLRB—Another View," by David P. Findling and William E. Colby. The authors were not identified any further, but a footnote to the title said that the views expressed in the article were those of the authors and not necessarily shared by the NLRB or its General Counsel. From that you might guess that the writers probably were employees of the Board, and they were. David Findling, now deceased, was in charge of the General Counsel's enforcement division. William E. Colby was a lawyer in that division who apparently decided that labor law was not his thing, because he is now head of the Central Intelligence Agency.

But that is by the way. Although the Findling-Colby article purports to be a rebuttal of Cox and Dunlop, nowhere does it claim that the Board should sit in judgment on what substantive economic terms go into a contract. In fact, the Supreme Court has recently told us, in *H. K. Porter*,<sup>3</sup> that we cannot write a contract clause for the parties under any circumstances. And Congress has directed us to keep out of economic matters by including in the Taft-Hartley Amendments to our act, Section 4(a), which provides that the Board cannot hire anyone to do economic analysis.

That provision is far from a dead letter. In the *Congressional Record* for April 23, 1975, Senator Javits, speaking against an amendment that would permit the proposed Agency for Consum-

<sup>2</sup> Cox & Dunlop, "Regulation of Collective Bargaining by the National Labor Relations Board," 63 *Harv. L. Rev.* 389 (1950); Cox & Dunlop, "The Duty to Bargain Col-

lectively During the Term of an Existing Agreement," 63 *Harv. L. Rev.* 1097 (1950).

<sup>3</sup> *H. K. Porter v. NLRB*, 397 U. S. 99, 62 LC ¶10,696 (S. Ct., 1970).

er Advocacy to intervene in proceedings before NLRB and the National Mediation Board (NMB), referred to Section 4(a) as a forceful statement of the Congressional view that the NLRB is to decide carefully defined legal questions and not evaluate possible economic effects.

### **Above the Battle?**

All this seems to leave the Board above the battle, and you might begin to wonder why I am here. At first I had somewhat the same feeling myself, but further thought has convinced me that I was wrong.

For an agency to be 40 years old means that it is likely to be accepted, and also to have achieved at least a part of its basic purpose. The year before our statute was enacted, there were more than 3,000 strikes for recognition, a relatively rare occurrence today. This year, the Board is conducting almost 9,000 elections, 4 out of 5 on an amicable, uncontested basis. These elections are being directed in an average of 40 to 45 days from the filing of a petition, thereby speedily providing, if the employees so desire, a responsible base for the beginning of collective bargaining. Under this system, more than 100,000 labor contracts have been executed and thus helped to stabilize labor-management relationships in fair or foul economic weather.

In view of that, I think it fair to say that the Wagner Act and its amendments have made collective bargaining a basic part of the structure of our society and a forum for the resolution of many labor-management problems.

That does not make continuance of the Board function less essential. A kind of proof of that is our constantly increasing caseload, coming close to 50,000 per year in our projections for

the fiscal year ending in June, 1976. It is important to realize what that means. Let me give you some fairly recent figures. In the year ending February 28, 1975, our case intake was 27,402 unfair labor practice cases and 14,640 election cases—a total of just over 42,000 cases. Not all those cases result in Board decisions, or in Board-conducted elections, because some cases will have no merit and others are settled without formal proceedings. But what is important is not the specific disposition, but the availability of a forum for the settlement of disputes and questions of representation. This must provide the labor-management community, and the nation, with assurance and confidence that were not possible in the Depression of the 1930s.

We are not sure that we can correlate the change in the caseload with the state of the economy, but some of the data are suggestive. During the period 1961-1966, generally considered good times, the rate of increase in intake of unfair labor practice cases was about 5.7 percent per year. In the period of stagflation from 1969-1974, the comparable rate was about 8.1 percent per year, significantly higher.

In representation cases, the trend was the reverse. In 1961-1966, the rate of increase was 4.5 percent annually. In 1969-1974, it was 3 percent, a substantial drop.

These numbers suggest that election cases increase in good times because it is likely that new businesses are being formed, and organized. But, when people lose their jobs in bad times they are likely to try any avenue to get them back, and that may explain the increased rate of unfair labor practice case intake. This is to some extent supported by the fact that in the past several months we have noticed a decline in the settlement rate, which again suggests that people are upset.

## Heart of the Act

It used to be said that the discriminatory discharge for union activity was the unfair labor practice that went to the heart of the act, and that is still the charge we get most frequently. But I am inclined to think that refusal to bargain is at least as crucial, simply because bargaining is what the act is all about.

In the early days of the Wagner Act, there was much quotation of Senator Walsh, who had said, "When employees have chosen their organization, when they have selected their representative, all the bill proposes to do is to escort them to the door of the employer and say 'Here they are, the legal representatives of your employees.' What happens behind those doors is not inquired into, and the bill does not seek to inquire into it."

I doubt very much that the act was ever applied just that way. Form and substance may be distinguishable, but not that distinguishable in the area of labor-management relations. Whether bargaining is in good faith or not is going to depend, to some extent, on what kinds of proposals and demands are made.

You will note that I referred to good faith bargaining. The Wagner Act defined the unfair labor practice as simply the employer's refusal to bargain collectively with the representatives of his employees, subject to the provisions of Section 9(a). Section 9(a), in turn, so far as relevant here, provided (and still provides) that representatives designated or selected by a majority of the employees shall be the exclusive representatives for bargaining with respect to wages, hours, or other conditions of employment.

The Wagner Act did not attempt to define the duty to bargain. But in 1947, when the Taft-Hartley Amendments were passed, not only did they add Section 8(b)(3), which imposes the duty to bargain on labor organizations, they also included a definition of the duty to bargain in the new Section 8(d). For my purposes here, all I need note is that bargaining in good faith does not require agreeing to a proposal or making a concession. Nor is it an unfair labor practice for an employer to bargain for complete control over aspects of his operations.<sup>4</sup> And, as I have already mentioned, the Board cannot compel the inclusion of any particular contract clause.

## Meeting and Discussing

What does that leave? It leaves the process of meeting and discussing, which means that each party must consider the proposals that the other advances. There need not be agreement, and the act has never been interpreted to require agreement, nor does the Board require adherence to any particular economic policy. But, the process of discussion has its advantages. An idea that seems eccentric or outrageous at first blush may turn out to have merit. Or discussion may reveal that it is in fact eccentric and outrageous.

No one knows just where a discussion will end. In the process of give-and-take, new possibilities may arise, new solutions appear. That is the theory upon which the Board operates. And there is no better time for this theory to be proved viable between responsible unions and employers than during this time of economic uncertainty. The problem is mutual; the responsibility is mutual; the benefits are mutual.

---

<sup>4</sup> *NLRB v. American National Insurance Co.*, 343 U. S. 395 (1952), 21 LC ¶66,980.

When the Board orders bargaining on an issue, it is not in any sense prejudging what the result of the bargaining should be. What it is doing is very narrow. It is simply saying that this issue is one comprehended in the phrase "wages, hours, or other conditions of employment" and therefore is a required subject of bargaining.

That last phrase is elastic. What constitutes a condition of employment will change with the times. Over 25 years ago it was decided that pension plans were a term and condition of employment, over a strenuous argument that Congress had intended no such thing.<sup>5</sup>

The Seventh Circuit Court of Appeals, affirming the Board, quoted this language from a Supreme Court decision:<sup>6</sup> "Legislation, both statutory and constitutional, is enacted, it is true, from an experience of evils, but its general language should not, therefore, be necessarily confined to the form that evil had theretofore taken. Time works changes, brings into existence new conditions and purposes. Therefore a principle to be vital must be capable of wider application than the mischief which gave it birth."

### Different Circumstances

In 1971, the Supreme Court decided that the benefits actually paid to retired employees were not a bargainable subject, and that retirees were not employees under the act, nor could they be employees included in the bargaining unit. That decision re-

versed the Board's holding<sup>7</sup> and affirmed the Sixth Circuit Court of Appeals. My point is not whether the Court was right or wrong in its decision, but rather that this is precisely the kind of issue that may well be answered differently in different social circumstances.

The Court took issue with the Board's view that the retirees' benefits were of concern to active employees because they vitally affected their tenure and conditions of employment. Focus was on the word "vitally," to which, the Court felt, the Board had not given its ordinary meaning. That may be, but what is vital is the kind of thing that can easily change, and it is not difficult to imagine a future in which the Board's prior holding might be made again and be found acceptable to the courts. I might observe parenthetically that legislation has been introduced in Congress to change this decision.<sup>8</sup>

Those who want major changes in labor relations generally do have to go to Congress. The Board is a board of limited powers and limited jurisdiction. It would be fatuous to pretend that policy does not change as the makeup of the Board changes, but such changes are after all within a fairly narrow range. Before the passage of the recent health facility amendments, the Board could not have asserted its jurisdiction over nonprofit hospitals, no matter how badly its services may have been required. And, after the passage of Taft-Hartley, the Board could not delegate its authority to regional directors until enabling leg-

<sup>5</sup> *Inland Steel Co. v. NLRB*, 170 F. 2d 247 (C. A. 7, 1948), cert. den. 336 U. S. 960, 15 LC ¶ 64,737.

<sup>6</sup> *Weems v. United States*, 217 U. S. 349.

<sup>7</sup> *Pittsburgh Plate Glass Company, Chemical Division*, 177 NLRB 911, enforcement de-

nied 427 F. 2d 936 (CA-6, 1970), affirmed 404 U. S. 157, 66 LC ¶ 12,254.

<sup>8</sup> H. R. 3117, 94th Congress, 1st Session, A Bill to amend the National Labor Relations Act to provide that the duty to bargain collectively includes bargaining with respect to retirement benefits for retired employees.



islation was passed in the Landrum-Griffin amendments of 1959.

Our remedial powers are also limited. When we find a violation, we can only remedy that violation. We cannot award damages; we cannot punish an offender. When we have restored conditions to what they would have been but for the unfair labor practices, we have exhausted our powers, and probably also the litigants, considering how long it takes to get a case through the Board and the courts for an enforceable decree.

### Ripe for Changes

In fact, merely to cope with the constantly increasing caseload is going to be one of the major problems of the immediate future. Our productivity has increased substantially, but there is only so much that five people can do, and it may well be that the time is ripe for major procedural changes. I suspect the Board will be asked to adjudicate the legal propriety of certain demands by labor and management during these uncertain economic times, and they will want and deserve quick answers.

You may have noticed that the courts of appeals are now using a sort of certiorari procedure and are no longer writing opinions in cases that present no serious issues. This is akin to the procedure the Board currently uses in the review of its regional directors' decisions in representation matters. It might well be made applicable to the decisions rendered in unfair labor practice cases by our Division of Administrative Law Judges. It might also be desirable to make the enforcement of our orders more automatic than it now is.

I do not want to be taken as having enumerated everything that might work. I simply feel that this is an area that is

going to require much consideration in the immediate future. In my judgment, improving the Board's processes and speeding up its decisional activities would be the best way of making the Board a more effective mechanism to help labor and management combat the problems of recession and inflation. Some of these concepts have not been popular with the labor-management community, which seems to want the five Board members to make all the decisions. The day is coming when that is not going to be realistically possible. What do we do then?

Much of what I have said up to now has stressed the Board as a process. But, obviously, the cases that come to us arise under economic conditions that they reflect and we try to recognize and consider the existence of those conditions in our decisional processes. That has happened before and no doubt it will happen again. I am not going to try to predict what sort of patterns will arise, or to tell you how the Board will vote. But I will refer you to one case, *Swift & Co.*, 145 NLRB 756, which the full Board unanimously decided in 1963.

### Bad Times in Hallstead

In 1963, times were not good in Hallstead, Pennsylvania, where Swift had a plant that it was thinking seriously of closing because the operation was not profitable. The part of the *Swift* decision that concerns me here dealt with the argument that the public interest in relieving depressed areas and unemployment dictated suspension of the normal contract bar rules. The Board rejected the argument on several grounds.

First, there were factual uncertainties. It was not clear that the plant would really be closed, nor was it certain that it would not be closed if an election were directed and a specific union won.

Second, it was questionable whether a threatened plant closing should influence a Board decision.

Third, if the Board directed an election it would, arguably, be substituting its judgment for that of an international union which thought that the interests of the 40-50 Hallstead employees should be subordinated to those of the thousands of employees covered by a nationwide contract.

The Board pointed out that the public interest is not a simple, unitary thing. The long-term effects of keeping the Hallstead plant open might not be favorable; there might be a general lowering of wages in the master contract, or other plants might be closed because Hallstead operated more cheaply.

Faced with these doubts and perplexities, the Board concluded that it would not deviate from its normal principles of decision. It left the mat-

ter to the contracting parties to work out through the normal processes of collective bargaining.

And that, I think, is where I will leave you. Many agencies are concerned with matters that can affect labor relations. The Board's function is limited but essential, because what we are doing and have done is to establish, maintain, and refine the ground rules that make collective bargaining a workable process. Our country puts its faith in rational discussion as the best means to reach decisions.

The Board is doing, we hope, no more and no less for one segment of our society. That is our crucial contribution. Given the tools, we think we can continue to make it, and be an effective force in helping labor and management reach mutually satisfactory solutions to their difficult problems in recession, inflation, or otherwise. **[The End]**

---

## Pressures on Collective Bargaining— Labor Relations in a Period of Economic Uncertainty: a Discussion

By FRANCES BAIRSTOW

---

McGill University

---

**L**ABOR UNREST seems to be in the cards for us in Canada for another year. Major wage settlements will exceed those of 1974 and increases of 20 percent will not be uncommon. Prospects also are that the number of strikes will bypass the record of 1974, which was one of the worst years ever. The number of man-days lost rose to 9½ million, 67 percent higher than in 1973.

In fact, Canada lost more days through labor disputes than any major industrialized country with the exception of Italy.

Over 1,000,000 Canadian workers, or 72 percent of all those covered by major contracts, will be bargaining in 1975, e.g., steel, mining, paper, railways, and the public service, most particularly the Post Office. Union members' goals include catch-up, improved pensions, and cost-of-living allowances. The potential

for conflict is very strong with the escalating rate of inflation. Rising unemployment looms as a fearsome prospect. The main question before us is—will we get the leadership we need to get us through this crisis?

Workers do not tend to be long-range economic thinkers. Their strategy is more likely to be determined by the price of hamburger and by publicity given to large settlements of other groups of workers. The 21.9 percent pay settlement made in December to 20,000 Ontario civil servants will be the minimum in the battle cry of other government employees across the country.

Two-year agreements and the demand for COLA escalators were the most contentious stumbling blocks to settlement of the construction and over 50 other pay disputes. With the uncertain inflation rate generating this situation, employers can be forgiven for regarding a COLA clause as the "clause that depresses" when they contemplate their difficulties in estimating future costs.

The escalating cost-of-living contributes significantly to our rising level of strikes. When one considers the escalation of average wage increases, one can be forgiven for viewing the future with pessimism.

### Statistics Only Indicators

But it is my firmly held view that statistics are useful only as an indicator of the national economic health. The arguments over whether cost of living has gone up 1 percent or more in the last month miss the point. If the union member can keep tied in with the cost-of-living through his union's efforts, he needn't feel desperate. Escalators in pension plans are the next item on the unions' bargaining agenda.

The controversy over whether we have a wage-push or demand-pull type of inflation misses the main point, which is the lack of positive leadership in this area, not which school of economic theory will prevail.

If the government of the day had a workable, realistic policy in which it had confidence and which could be made understandable to the average citizen, it would earn the undying gratitude of the public. If the government is waiting for inspired guidance from the profession of economists, it is due for disappointment. It is the responsibility of the Canadian government to work out a program, not to be intimidated by the economists' jargon or find comfort in inaction by blaming the Americans or the state of the world economy. That worthy body has distinguished itself only in its verbal productivity, reference to theoretical models, and semantic hair-splitting over whether Galbraith or Friedman are correct in their assessment of the economy's ills. "The economy is too important to be left to the economists!"

### All-Out Effort

No, what the public is looking for is a plan which makes sense and which involves the employers, the unions, the agricultural sectors, etc., in an all-out effort which stresses that we all have something to lose by mounting inflation. I am not advising reviving a preachy Prices and Incomes Commission which was doomed to failure from the start when it carried on its work in public by moralizing about "the responsibility of unions and management."

What is needed is a *policy* of wage and price stabilization, not permanent controls, and not freezing prices and wages at a predetermined point. We

need a flexible policy involving the full participation of union and management organizations. Labor and employer representatives would be seconded from their jobs. Under this plan, the government could appoint full-time staff to secure the public interest. The obvious question is: "what about profits?" The answer could be rigorous application of tax policies.

What I am concerned with here is the psychological and political climate: lack of confidence and trust in leaders. Without a national policy, we are condemned to playing leapfrog in wage settlements. Both measures are required in both political and economic terms. The sense of urgency is there with the union members and the public. Why not with the politicians in power?

Living with uncertainty is more difficult for all sectors of the economy than living with an imperfect policy. Remember, I am not talking about a freeze, I am talking about a flexible stabilization adjustment policy which includes indexing, catchup, and COLA with tripartite involvement.

### Questions

Can even our socialistic, NDP-committed union leaders in Canada turn down a request to cooperate with the government in alleviating a national crisis? Is their help needed to keep wage increases within acceptable limits if they are assured maximum effort on price controls? If the situation deteriorates further, are they not risking the hostility of their supporters and the less fortunate and unemployed sections of the population?

With the union memberships turning down wage settlements of 30 percent, as in the case of the west coast airport fire-

fighters, does not the union leader find himself in perilous political difficulties? With the barrage of demands and static from other members of his union, isn't his own future uncertain?

So long as it is every man for himself, the union leader must press hard to win each fraction of a cent for his members. Otherwise, he faces the constant danger of competition from new candidates ready to promise greater gains and the risk of flak from militant dissatisfied members.

An economic stabilization program with limits on extreme wage and price movements would have made it possible for union representatives to say to their members that there is no way of breaking the limits. Operating within the limits of a wage-price limitation policy would give them breathing room, without both eyes fixed on the next union election. They could tell their members to cool it for the time being.

I'm not talking about a cure for inflation. Such a cure can come only from a miracle, and I lost the faith a long time ago. There is more to economic policies than their direct fiscal effects. Dynamic leadership has a contagious psychological effect. Investors regard the future with confidence. Workers won't hold out for sky-high demands if their earnings aren't rendered meaningless next year by inflationary rises. If we feel that someone is really minding the store, we will curb our natural *sauve qui peut* impulses.

Obviously, sensible monetary and fiscal measures in conjunction with a wage-price stabilization program are essential. But it's time to defuse this rocket or the public will lose patience. They're not interested in fixing blame; they want positive action, not abstruse theories. **[The End]**

# Labor Relations in a Period of Inflation and Recession: a Discussion

By JOHN CRISPO

---

University of Toronto

---

**T**HIS COMMENTARY begins with a few remarks on each of the papers given and then goes on to deal with some of the broader issues embraced by this session. Included also are some thoughts on John Dunlop's dinner speech as well as a reaction to some of my fellow discussant's observations. Throughout, there is a natural Canadian orientation to the viewpoints advanced.

My reaction to John Fanning's paper is limited because of considerable uncertainty on my part about the contribution of the NLRB or its Canadian counterparts in the context of the subject matter of this panel. Improved legal frameworks have proven a stabilizing element in both countries' industrial relations systems, but not to the extent of greatly ameliorating the problems growing out of collective bargaining during this time of stagflation.

As for Jerry Rosow's paper, the most intriguing feature of the trends he highlights in the U. S. is the degree to which they are either paralleled or not paralleled by recent developments in Canada, a comparison to which I shall return shortly. My major misgiving or reservation arising from Mr. Rosow's paper concerns the extent to which he promotes advanced productivity and productivity bargaining as one of the major solutions to the job insecurity risks plaguing public employees at

the state and municipal level in the U. S.

Although having no quarrel with the need for improved efficiency at all levels of government in both countries, I have some doubts about the appeal of such a prospect from the employee's vantage point, especially in the short run in the U. S., while the financial crunch on the governments involved is so severe. The major exception I would make to this qualification is where a whole unit is at stake, thus forcing the employees involved to choose between no work for any of them or more productive work for those that remain.

The major point I took from John Driscoll's presentation is that unions still want more of all the good things of life for their members in terms of wages, benefits, hours, job security, and pensions. The problem of unions in a time of both inflation and recession is that the tradeoffs involved in these competing and conflicting demands (particularly between more income and more security) become more difficult to reconcile.

Turning to some of the broader issues involved, I think it has to be stressed that many unsettling events are occurring in our collective bargaining processes, in our industrial relations systems in general, and in our entire societies. It is interesting to examine the relative impact of some of these forces in Canada and the U. S. There are many important parallels but also some marked contrasts.

## Significant Changes

Arnold Weber has been one of those pointing to some significant changes in the industrial relations arena which are common to both countries. For example, while the trades are holding their own, there has been a shift in the power of many other unions which has led to a comparative weakening of such industrial unions as the UAW and the Steelworkers, and a comparative strengthening of public service unions, particularly in Canada. Largely as a reflection of this trend, there are now signs of some significant changes in the wage and salary pecking order of the workers represented by these various unions, as well as many others outside the orbits of those just mentioned. One result of all of this is a growing indication of instability in both the procedures and the results of collective bargaining in the two countries.

Current industrial relations contrasts between Canada and the U. S. can be attributed primarily to the differing philosophies of their labor movements. Even by traditional business-union standards, the Canadian labor movement is much more militant these days than its American counterpart. Perhaps that is because the combination of Watergate, Vietnam, the energy crisis, and stagflation has made the U. S. labor movement more cautious, restrained, and responsible than its northern neighbor. Regardless of the cause, Canadian unions have demonstrated much more success in protecting their members' real incomes over the past two or three years.

It cannot be argued that the Canadian labor movement is nearly so class-conscious or reform-minded as its Western European cousins. Still it is certainly showing more signs of such an inclination at this time than the American labor movement, if only in terms

of the degree of emphasis it places upon a general redistribution of income within society at large.

## Higher Inflation

In any event, despite stagflation and led by its public service components, the Canadian labor movement is generating much more industrial strife and negotiating settlements almost twice as high as those in the U. S. Not surprisingly, one result of this record is a consistently higher rate of inflation in Canada, leading in turn to pressures for some kind of wage restraint.

This brings me to John Dunlop's talk and the issue of wage and price controls, an approach I am unalterably opposed to, except perhaps as a last resort on a short-term disaster basis during which more sensible long-run policies are put in place. Having stated my ingrained bias on the subject, let me hasten to add that I agree with the "three great principles" that John Dunlop enunciated as having to be part and parcel of any successful wage and price control program, at least in the U. S. These were: first, total involvement by union and management in the formulation and implementation of any such program; second, concentration in the program on traditional wage and salary relativities and accordingly on the elimination of any distortion in those relativities stemming from the inflationary period that gave rise to the program; and third, avoidance of any general income redistribution objectives under the program.

If these three principles are inviolate in Canada as well as the U. S. (John Dunlop did not say this), then my country is in deep trouble if it proceeds down the garden path of controls, which our ill-advised and wrongheaded leaders appear determined to do. Aside from the inherent madness of such a program in such a complex trading na-

tion as ours, the problem is that the Canadian labor movement has made it clear that it will not go along with a controls program that does not include income redistribution as one of its major goals. My feeling is that even the American labor movement would take that position over the long run.

What really bothers me most, however, is that all such programs are misdirected because they are not based on the true dimensions of the problem. To get at the latter, collective bargaining must be seen for what it ultimately is: a kind of mirror image or reflection of society at large. If collective bargaining is in trouble, it is more because society is in trouble than the other way around.

### **Undue Accumulation of Power**

What is happening in both our countries is that the existing systems of checks and balances, not just in collective bargaining but everywhere else, is breaking down and little or nothing is being done about it. Instead, we are periodically almost desperately re-

sorting to varying degrees of consensus, guidelines, and control. These, at best, only deal with the symptoms of the problem. The heart of the problem lies in the undue accumulation of power and its continued abuse in all sectors of our systems.

Unless and until we are prepared to come to grips on a decisive and even-handed basis with the power blocs and vested interests that pervade our system in a less and less countervailed fashion, we can forget about finding any viable solutions consistent with our present way of life. If we fail to do so, the collective bargaining process as we know it may not survive, let alone many other of our cherished institutions.

It is time we got down to the cases of real abuses of power and did something to reduce the bases of the parties—be they in labor, management, the professions, or anywhere else—that lie behind these abuses. Beyond this option, I do not care to contemplate the alternatives, which I am sure will be far worse than anything thus far contemplated. **[The End]**

---

**You are invited to be a member of**

## **THE INDUSTRIAL RELATIONS RESEARCH ASSOCIATION**

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

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

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

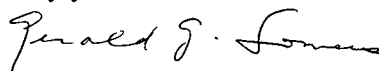
Regular Membership .....	\$15
Family Membership (At same address, no additional publications) ...	1
Contributing Membership .....	50
Citizens of Countries Other than U. S. & Canada Living Abroad ..	5
Retired Membership (If a member for at least 10 years and not now gainfully employed) .....	5
Student Membership (Limited to 3 consecutive years) .....	5
Institutional or Library Subscription .....	15

Inquiries and other communications regarding membership, meetings, publications and the general affairs of the Association, as well as orders for publications, copyright requests, and notice of address changes, should be addressed to the IRRA Office.

**INDUSTRIAL RELATIONS RESEARCH ASSOCIATION**  
(608/262-2762)

Social Science Bldg., University of Wisconsin, Madison, WI 53706

Sincerely yours,



IRRA President 1975



## Also in the Industrial Relations Research Association Series

### PUBLIC-PRIVATE MANPOWER POLICIES

*Edited by* ARNOLD R. WEBER, FRANK H. CASSELL, AND WOODROW L.  
GINSBURG (1969)

210 pages \$4.50

### A REVIEW OF INDUSTRIAL RELATIONS RESEARCH, Volume I

WOODROW L. GINSBURG, E. ROBERT LIVERNASH, HERBERT S. PARNES, AND GEORGE STRAUSS (1970)

260 pages \$5.00

### A REVIEW OF INDUSTRIAL RELATIONS RESEARCH, Volume II

BENJAMIN AARON & PAUL S. MEYER, JOHN CRISPO, GARTH L. MANGUM, AND JAMES L. STERN (1971)

230 pages \$5.00

### MEMBERSHIP DIRECTORY HANDBOOK 1972-1973

Biographic sketches and geographic and occupational classification of members throughout the world—the nation's most comprehensive who's who in industrial relations.

(Published every six years) 276 pages \$7.50

### THE NEXT TWENTY-FIVE YEARS OF INDUSTRIAL RELATIONS

*Edited by* GERALD G. SOMERS. Twenty-Fifth Anniversary Volume: Chapters on the future of industrial relations contributed by distinguished past presidents of the Association. (1973)

206 pages \$6.00

### ORGANIZATIONAL BEHAVIOR RESEARCH AND ISSUES

*Edited by* GEORGE STRAUSS, RAYMOND E. MILES, CHARLES C. SNOW, AND ARNOLD S. TANNENBAUM (1974)

236 pages \$6.00

Book orders and requests for prices and order forms for other IRRA publications (including Proceedings of the Annual Spring and Winter Meetings and Membership Directories), should be sent to the IRRA office:

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
7226 Social Science Building, University of Wisconsin  
Madison, Wisconsin 53706 U. S. A.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
PROCEEDINGS OF THE 1975 SPRING MEETING  
7226 SOCIAL SCIENCE BUILDING, UNIVERSITY OF WISCONSIN  
MADISON, WI 53706 USA

Address Correction Requested

Non-Profit  
Organization  
U. S. Postage  
PAID  
Madison, WI 53706  
Permit No. 1034