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DECEMBER 28-30, 1979
ATLANTA

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PREFACE

During the last few days of the decade of the 1970s, speakers at the IRRA's Thirty-Second Annual Meeting were looking at both the past and the future of industrial relations at home and abroad. In his presidential address, Jerome M. Rosow chose to look ahead, "reading the signs" that indicated the "obstacles and opportunities" for the American labor movement.

The range of topics for the regular sessions enabled both speakers and discussants to take a broad approach to such issues as democracy and participation in unions, due process for nonunionized employees, collective bargaining in higher education, new approaches to labor history, European trade unions in a period of stagflation, the effect of government regulation on productivity and costs, pensions and social security, and public service employment.

The Contributed Papers sessions were on more traditional industrial relations topics—"Behavioral Approaches to Bargaining," "Trade Unions and Collective Bargaining," "Public-Sector Bargaining," and "Manpower/Minority Issues." Three young scholars summarized their research at the Dissertation Round Table.

The Atlanta IRRA chapter not only was in charge of the meeting arrangements for the Association, but also planned the two workshop sessions, on "Unions and Politics" and "The Future of Unions."

The Association is grateful to President Rosow, President-Elect Jack Barbash, members of the Program Committee, the session chairmen, and the participants for their part in this stimulating and enjoyable program. We also thank the local arrangements chairman, James F. Crawford, and his committee and Elizabeth Gulesserian and the IRRA National office staff for their invaluable contributions to the success of the Annual Meeting in Atlanta.

BARBARA D. DENNIS
Editor

February 1980

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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.

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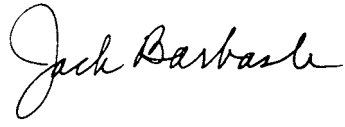

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December 29, 1979

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I. PRESIDENTIAL ADDRESS

American Labor Unions in the 1980s: Reading the Signs

JEROME M. ROSOW
Work in America Institute, Inc.

American labor unions have been a bulwark in our democratic society and a positive influence in the free competitive system. They remain dedicated to capitalism, believe in profits, and respect well-managed organizations as a positive force for job security and a strong economy. They want to survive and grow with the economy, and they display the resilience and drive to do so.

Nevertheless, the labor movement faces serious problems in the decade ahead, not the least of which is a decline in union membership. Only 22 percent of the U.S. work force is unionized today, as compared to 34 percent in 1955; unions have been losing almost half their representation elections; and decertification elections are becoming commonplace. These developments have produced the usual quota of doomsayers, would-be Cassandras who interpret the decline in union membership as an intense contest that will continue into the 1980s and may never be reversed.

The declining membership of unions, in fact, reflects the changing nature of the work force, the rising level of education, and the shift from manufacturing to services and government and does not necessarily forecast a continuing trend for the decade ahead. The future of unions will be determined by the same forces that shape the future of all institutions: namely, their ability to change with the times and to be responsive to the people they serve. Organized Labor's willingness to move in new directions has already been signaled by the new leadership of the AFL-CIO.

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New sources of strength for unions will ultimately depend on how they respond to the major issues of the 1980s: new leadership in the AFL-CIO; the possible consolidation of the AFL-CIO, UAW, Teamsters, and other independent unions in a single umbrella organization; the growing trend toward legislation rather than collective bargaining to achieve labor's goals; recruitment of the fastest growing sectors of the labor force—white-collar workers, women, blacks, and Hispanics—and their inclusion in the leadership; accommodation to an expanding army of retirees; the increased militance of large numbers of employers in opposition to unionism; the flight of both workers and plants to the Sunbelt; and the rising expectations of the membership for improved quality of working life, without the sacrifice of the traditional demands for money, benefits, and working conditions.

Changing of the Guard

The AFL-CIO cannot afford to live in the shadow of the past, nor can it hope to serve its professed goals or attract new membership without taking risks.

The retirement of George Meany and the accession to the presidency of the AFL-CIO of Lane Kirkland creates an overdue opportunity for movement in new directions by unlocking the monopoly of power held for so long by one strong, effective man. The changes may be gradual at first, but new vigor, new ideas, and new attempts to broaden the base of union power will inevitably take place as younger leaders, who are themselves relatively senior, take the reins of the organization. Conflicts may arise and the Meany legacy may be challenged, but despite the unsettling effects of change, Lane Kirkland's leadership should improve the central direction of the AFL-CIO. Kirkland has served a long and patient apprenticeship under Meany and may prove to be more of a surprise package than the conservative wrappings suggest.

Both Kirkland and Thomas Donahue, the new secretary-treasurer, have worked in tandem as an effective team and are now in full control. Clues to the kind of leadership they will provide are evidenced by the recently concluded "national accord" with the White House, giving labor a strong voice in pay policies, as well as by their immediate initiatives to open up the leadership of the AFL-CIO to women and minorities and to consolidate the labor movement.

Power through Consolidation

Immediately after Kirkland's election, he extended an olive branch to nonmember unions in the form of an invitation to join with the AFL-

CIO in "one house of labor." Rumor has it that the "no vacancy" signs have been removed at 16th Street and that the penthouse suites are now available!

"All sinners belong in the church; all citizens owe fealty to their country; and all true unions belong in the AFL-CIO," declared Kirkland in a widely quoted invitation to unions that have voluntarily or involuntarily parted company with the AFL-CIO during the last 25 years.

A number of stumbling blocks to consolidation remain, however. The readmission of the Teamsters, who were cast out of the AFL-CIO in 1957 for allegedly corrupt practices, would represent a compromise with the ethical standards held by George Meany. The reaffiliation of the United Auto Workers, who broke away from the AFL-CIO in 1968, is more likely, although not a sure thing.

Nevertheless, the UAW and the Teamsters alone would add over 3 million workers to the AFL-CIO fold, leaving little doubt that every effort will be made to deliver on the original invitation.

If the AFL-CIO's overtures are finally accepted by the nonmember unions, big labor will be able to voice its concerns with a single powerful voice. Consolidation and reunification—of goals, leadership, and control—will result in a reduction of jurisdictional disputes, especially with the Teamsters; in a tighter community of interest; and in increased political clout at the national level.

Ultimately, it may be labor's ability to wield political clout rather than its ability to win victories at the bargaining table that will serve as a significant barometer of labor's success.

Legislation vs. Collective Bargaining

Will American unions increasingly expect Congress and the state legislatures to win advances for all workers, organized or not, or will they narrow their goals to the bargaining table? The trend points to legislation as a powerful instrument that could reestablish organized labor's broader concern for working men and women as a social class rather than for its own narrower constituency.

During the 1970s two major breakthroughs took place: legislation that regulated occupational health and safety and legislation that regulated pensions. Both were comparative leaps into the traditional domain of collective bargaining where, over the years, industry by industry and company by company, these issues have been debated and lost or won across the bargaining table. Now legislation has addressed these issues for the entire work force.

The contrast between union procedures and national legislation is striking. Legislation provides universal coverage, enforcement machin-

ery, and sanctions—and provides them more rapidly and with greater effectiveness than bilateral negotiations could ever hope to do.

There are several priorities on labor's legislative agenda for the 1980s: first, national health insurance, a proposal that has been simmering on the back burner for some years; second, further pension reform, including a response to the expanded social security tax and the lack of private pension coverage among 50 percent of all American workers; and third, a group of interrelated issues, including job security in a period of slow growth, increasing technology in both offices and factories, the steady pressure to substitute capital for labor, and the urgent need to increase productivity.

Other issues of interest to unions are also attracting congressional attention, among them the establishment of employee stock ownership plans (ESOPs). Their sponsorship by Senator Russell B. Long, the powerful chairman of the Senate Revenue Committee, reflects this Congress's particular concern with corporate management and low worker productivity.

Labor law reform must also reemerge in some modified form and will rematch big labor and big business in a contest that may be decided by the relative effectiveness of the adversaries' lobbies rather than by the legislative merits of the case. Despite the passions of the moment, both parties ultimately will need to concern themselves with the long-term goal of cooperation rather than with immediate victories and their inevitable aftermath of bitterness and ill will.

In many a struggle, on many an issue, the legislative halls may prove to be a more critical arena for labor than the bargaining table, a consideration that promises to intensify labor's political action program and its posture in the political process in the decade ahead. The expansion of labor's role in legislation undoubtedly will also generate reactions by the Business Roundtable and other vested interests.

Opportunities for Growth

Organized labor will have to find new ways in the eighties to replenish its membership rolls. The prospect is not as bleak as it might appear. Popular opinion notwithstanding, a considerable number of both blue-collar and office workers have an interest in being represented by unions. Professor Thomas A. Kochan of Cornell documents the evidence in his searching analysis of the University of Michigan's *1977 Quality of Employment Survey*.[1,2]

[1] Robert P. Quinn and Graham L. Staines, *The 1977 Quality of Employment Survey* (Ann Arbor: University of Michigan, 1979).

[2] Thomas A. Kochan, "How American Workers View Labor Unions," *Monthly Labor Review* (April 1979).

One of the key questions asked of the nonunion respondents in the survey was whether they would vote for union representation if an election were held in their workplace. Of the 983 who responded, 295, or 30 percent, indicated that they *would* vote for unionization. When managers and the self-employed were excluded from the sample, the rate of support for unionization rose to 33 percent. Another breakdown showed that 39 percent of the blue-collar workers would support unionization as opposed to 28 percent of the white-collar workers, excluding the self-employed and managers.

Professor Kochan has pointed out that the most striking finding of all was that 67 percent of all black and other minority workers would vote to unionize and that 40 percent of all women and 35 percent of workers in the South—normally considered an antiunion environment—would support unionization.

Women

Women have moved into the labor force in record-breaking numbers in recent years with the result that over 41 percent of the working population today is female. Yet only one in four union members is a woman. The discrepancy is not surprising, since labor union membership today continues to be concentrated in the traditionally male blue-collar occupations; women, on the other hand, predominate in the so-called "helping" occupations, which the labor movement has been slower to organize. If labor unions are to tap this new and growing pool of workers for membership, a twin agenda will be required.

First, unions will have to be responsive to the unique and growing role of women in the work force. Partly, this will mean paying closer attention to the service and clerical occupations in which women constitute 85 percent or more of the population—secretaries, retail sales workers, bookkeepers, elementary school teachers, waitresses, cashiers, private household workers, registered nurses, typists, and others. Partly, it means viewing more sympathetically the particular concerns of women: family responsibilities, sex discrimination, unequal pay for equal work, career road blocks, and sex stereotyping. The AFL-CIO has already taken a giant step in this direction with a resolution at its last convention to support measures to end disparities in wages of men and women engaged in comparable work.

Second, unions should think in terms of opening up their leadership to women. Women have advanced into management positions more quickly in all other professions than they have in labor unions. For example, there has never been a woman member of the AFL-CIO Execu-

tive Council; few women occupy top jobs in individual unions; and many international unions have yet to elect a woman to national office. All indications are that with Lane Kirkland's accession to the presidency of the AFL-CIO dramatic changes are about to take place. Kirkland's first major initiative as president was to appoint a committee to "explore in depth and with seriousness of purpose" ways and means of bringing women and minorities onto the Executive Council, even though, traditionally, only chief executive officers of major affiliated unions of the federation have been elected to that body. At present the council has only one black member and no female or Hispanic members, but, with this committee's appointment, the stage has been set for a more balanced governing body.

Blacks and Hispanics

This directive promises an AFL-CIO agenda in the 1980s that is more responsive to the needs of both blacks and Hispanics and that encourages participation by both groups in organizing and leadership roles within the union structure.

These developments are long overdue in light of the part these groups play in the day-to-day life of the labor movement. According to the Bureau of Labor Statistics, blacks and other minorities constitute 14.2 percent of labor union members, although they comprise only 11.6 percent of the civilian labor force. The interest of both blacks and Hispanics in unionization is evidenced by their higher participation rates: 29 percent of Hispanic workers and 33 percent of black workers are represented by labor unions as compared to 26 percent of white workers. According to Professor Kochan, black and other minority workers represent the greatest potential source of union growth. This thesis is borne out by current trends:

- The growing influx of Mexican immigrants, both legal and illegal, into the labor markets of the Southwestern and Western states.
- The increasing numbers of immigrants, legal and illegal, from other Spanish-speaking nations.
- The continuing demand by blacks and other minorities for their fair share of the job market.

These trends have been accelerated by the search for new sources of oil and gas that has led, inevitably, to Mexico. To counterbalance the requirements of its energy-hungry neighbor to the North, Mexico, it is believed, will demand an escape valve for its crushing overpopulation, forecast to almost double by the year 2000. Thus a new underclass of

workers may well flood the labor markets as the energy/employment trade-off grows in importance. Labor will have to decide whether to try to stem the tide—or to sign up the new workers, legal or illegal.

Some unions, in industries with a predominantly immigrant work force, have already made the decision. It is reported that several of these unions—in garment making, food and services, and light manufacturing —are signing up aliens without regard to their legal status, to eliminate a source of cheap labor and to prevent the undercutting of union contract wage levels.

White-Collar Workers

Increasing education, changing values, and the strong urge to move up the socioeconomic ladder make it more difficult for unions to respond to the needs of white-collar office and professional workers. Many of these educated and upwardly mobile employees are difficult to organize because they tend to identify with management and feel that they would lose the esteem of others if they became card-carrying union members.

At the same time, public attitudes toward corruption in some unions, violence on the picket lines, and the open confrontations that have characterized some organizing efforts have created psychological barriers which many workers are afraid to cross.

If unions are to enroll this rapidly increasing sector of the work force, new and more persuasive organizing strategies will have to be employed.

The Gray Factor

The graying of America portends a growing proportion of retired people in the general population. This trend will continue, with almost 30 million Americans predicted in the over-65 cohort by 1990. What does this shift in population mean for unions?

The "thirty and out" retirement goal of unions, social security reform, and economic pressures have all accelerated early retirement. Thus, many of the old loyal union members have become annuitants. In one sense, their loss is a drain of union strength and contributes to declining membership; on the other, a new dimension is emerging as unions explore the possibility of retaining a representative role for retired union members.

When unions extend themselves to embrace the needs of retired members, they retain the support of people who have both political and economic power and may, in fact, become more active politically. It is not surprising, then, if these retirees, perceiving a mutuality of interests, use their vote to advance these interests.

This expanded constituency opens new vistas for union power—vistas that may not be reflected in labor-force statistics. Thus unions will continue to bargain for annuitants and will seek to expand their interest as members during their entire lives rather than during their working lives only. This means union involvement in health-care insurance and pension improvements to offset inflation, housing, and the other needs of annuitants—a trend heralded by the UAW in its recent settlement providing a 40 percent improvement in pensions over the next three years. Although a portion of the economic package was diverted in favor of pension improvement, younger workers also supported the trade-off.

As the population continues to age, the new gray factor in labor power will grow in importance. Unions will continue to pay special attention to the needs of annuitants, but not without some stress, as they stretch their agenda, their resources, and their priorities to serve both inactive and active workers with opposing or different needs.

The New Geography

Another strong trend in the 1980s will be the continuation of the geographical movement of Americans to the Sunbelt—parts of the West, the Southwest, and the Southeast. These new frontiers combine features which will continue to attract people and industry. The warm climate and easier life-style of these sections of the country, combined with the high cost of energy, encourage movement away from the Northeast and the Middle West, strongholds of industrial unionism. Favorable tax policies, geared to attract business, homeowners, and taxpayers alike, act to reinforce this trend. These features are particularly attractive to the aging population predicted by demographers for the remainder of the twentieth century.

Many major corporations have been encouraged to build new plants in these areas to achieve the multiple benefits of low taxes, new plants and equipment, and a new work force—one that is generally nonunion. Some estimates point to as many as 250 new plants established under these circumstances during the last decade.

Expansion of plants to the Sunbelt and other areas with little unionization is usually preceded by plans to build a nonunion fence around the new facilities. This includes offering attractive wages, benefits, and working conditions, as well as establishing selection procedures and training to ensure a union-free organization. These employer efforts are not consistent or fail-safe. Yet the willingness to anticipate employee needs and to offer as much or more than unions is to outbid union organizers

before they can even begin to operate. The number of companies playing this shut-out game is increasing.

Professor Kochan sees encouraging news for unions in the findings of the Michigan study that Southern blue-collar workers, generally considered to be antiunion, are as willing to join unions when conditions warrant it as are workers in other parts of the country.[3] Another bright spot for unions is the UAW's new contract in which it claims to have countered the so-called "Southern strategy" of General Motors with a provision that treats new facilities of GM engaging in work already covered under the national agreement as "transferred operations." This strategy will "bring the advantages of union-won rights and benefits to the workers and the communities where the new plants will be located," according to Irving Bluestone, UAW vice-president and director of the General Motors Department.

However, in many cases the battle has yet to be joined. The policy of "relocate and resist" on the part of many companies will call for new ingenuity on the part of the unions if they are to overcome the traditional employer hostility and "right to work" antiunion atmosphere of the Sunbelt.

Another obstacle to unionization is inherent in the wide dispersion of manufacturing and other enterprises across the country. Some 46 million workers are scattered among private plants and offices with fewer than 500 employees, and almost 31 million are in firms with fewer than 100 employees. A large staff of organizers with geographical reach and staying power is required to reach workers in these small groups, taxing the resources of most unions and making it less than likely that unionization will take place. Servicing small plants is also costly and difficult, resulting in an increasing number of decertifications.

Employer Resistance

The movement to the Sunbelt has been exacerbated by the rise in employer resistance to unionization. Despite the general acceptance of the principle of collective bargaining, many employers have an antipathy toward unions. Basically they dislike sharing power over their employees and resent the necessity of winning consent by collective bargaining.

Several factors have fanned the flames anew in recent months. The recent NAM campaign for a "union-free" environment has aggravated the relationship between unions and employers, as has the confrontation in Congress which defeated labor law reform. Consultants who preach

[3] *Ibid.*

nonunion management and teach nonunion theory have grown in numbers and peddle their wares openly and with renewed vigor.

Increasingly sophisticated in industrial relations, management has created stronger internal professional employee-relations advisers and better equipped supervisors who seek to prevent serious breakdowns in relations with workers.

Employer resistance to unions assumes two forms. The first is a contest between employer and union for power in the particular workplace. The contest is resolved by the election process under the National Labor Relations Act and will always engage employer and union in an adversarial relationship. The second is the more far-reaching challenge to the legitimacy of American labor unions in our society. Resistance to unions becomes an institutional threat since employers are contesting the basic role of international unions and the legal right of workers to free collective bargaining. The rivalry at the plant level is ever present and healthy. The challenge to unions as an institution, however, has serious implications for our democratic way of life and could produce serious shocks for the political system.

QWL in the Wings

Wages, benefits, and working conditions continue to dominate center stage in labor negotiations. This does not reflect a lack of interest or attention to other, newer work or social issues, but rather a natural preoccupation with first things first—bread-and-butter issues taking precedence over the entire gamut of quality of working life improvements: job security, training and educational options, growth and personal development, opportunities for advancement, increased participation in decisions affecting the immediate work itself, improved job design, more sensitive and responsive supervision, and greater forms of economic participation, including employee stock ownership.

Many were watching the UAW leadership in 1979 for breakthroughs in quality of working life, especially in light of Irving Bluestone's special interest and leadership in this area. However, in the face of an impending recession, excessive inventories, and the Chrysler Corporation crisis, the union returned to the classic issues of wages and benefits and responded particularly to the improvement of pensions for annuitants and the need for labor peace and jobs.

Nevertheless, we should not read too much into this contract. American workers have indicated in the *1977 Quality of Employment Survey* that they want their unions to address more diverse issues relating to the quality of working life. And General Motors itself has shown a deep

interest in the improvement of quality of working life through joint union-management cooperation, as evidenced by continuing programs in over 50 of its plants.

The United Auto Workers, GM Department, has been the trailblazer union in pressing for the new work-related issues. Communications Workers of America, under Glenn Watts's leadership, has stressed dignity in the workplace, and the American Federation of State, County, and Municipal Workers (AFSCME), under Jerry Wurf, has addressed a number of quality of working life objectives. Other unions, too, are aware of these needs and, when they do not have to pay a front-end cost in wages and benefits, will surely broaden their agendas.

Conclusion

The issues outlined above present both obstacles and opportunities for the American labor movement. They comprise the challenge of the 1980s.

A new generation of labor leaders proposes to meet this challenge. They have been debating the issues, searching for answers, and planning new and more responsive policies. They seek not only to hold their own, but to find new members in a changing labor market and to expand their influence.

At the same time, American management, taking the most aggressive stance in a generation, continues to fight hard to retain its unilateral powers over the unorganized and to inhibit the growth of American unions.

Labor's ability to change with the times, to respond imaginatively to the issues of the day, and to adjust to a work force that is undergoing vast demographic and attitudinal changes will determine the shape of the future, not only for the labor movement and its members but for the American work force as a whole.

II. DEMOCRACY AND PARTICIPATION IN UNIONS

Thinking About Democracy and Participation in Unions*

ARTHUR HOCHNER
KAREN KOZIARA
STUART SCHMIDT
Temple University

The "Golden Age" of research and discussion on union democracy and participation was from 1945 to 1960. It was followed by a "doldrums" period since 1960.[1] Recent industrial relations research shows a resurgence of interest in union democracy and participation. This research exhibits new methodological approaches and increased sophistication.[2] Additionally, concepts of democracy and participation developed in the other social science areas can be used to study union democracy.[3]

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* We wish to acknowledge the useful comments made by Richard Leone and J. Joseph Loewenberg.

[1] Trends in this literature are noted by George Strauss, "Union Government in the U.S.: Research Past and Future," *Industrial Relations* 16 (May 1977), p. 240. For an early comprehensive review, see Daisy L. Tagliacozzo, "Trade Union Government, Its Nature and Its Problems," *American Journal of Sociology* 61 (1956), pp. 554–81.

[2] Recent work in this area includes J. David Edelstein and Malcolm Warner, *Comparative Union Democracy: Organization and Opposition in British and American Unions* (New York: Halsted Press, 1976); John C. Anderson, "Local Union Participation: A Re-examination," *Industrial Relations* 18 (Winter 1979), pp. 18–31; John C. Anderson, "A Comparative Analysis of Local Union Democracy," *Industrial Relations* 17 (October 1978), pp. 278–95.

[3] See Carole Pateman, *Participation and Democratic Theory* (Cambridge, England: Cambridge University Press, 1970); Joseph A. Alutto and James A. Belasco, "A Typology for Participation in Organization Decision-Making," *Administrative Science Quarterly* 17 (March 1972), pp. 117–25; and Jack Barbash, *Labor's Grass Roots* (New York: Harper, 1961).

Definitional and measurement problems left over from the Golden Age, however, have not been resolved. Many of the inconsistencies are still present in recent research. For instance, the terms *democracy* and *participation* are often used interchangeably, thus implying that they are the same. Additionally, discussions of union democracy have often used simple measures such as leadership turnover, the existence of a two-party system, and constitutional protection of individual rights, which do not take into account the complexities of unions as organizations. This paper proposes a clear and concise definition of union democracy to address some major conceptual issues and controversies.

Even though the literature does not provide an explicit framework or a commonly agreed upon definition of union democracy, it generally implies that unions should be democratic. Thus, various discussions of union democracy have different normative orientations which further complicate comparative research on union democracy.

Review of Perspectives

A review of representative literature indicates that union democracy is seen to perform a variety of functions. Sometimes these functions are explicitly stated, but often they are implied and unexamined. In general, there are six basic perspectives concerning the functions of union democracy.

Industrial Democracy

According to this perspective, when workers participate in workplace decisions, industrial democracy is fostered.[4] In the United States, this takes place through elected employee representatives, i.e., unions. In this setting, democratic unions are necessary, and, in fact, U.S. industrial relations public policy implicitly recognizes this. The National Labor Relations Act (NLRA) and associated legislation tries to encourage industrial peace through collective bargaining over wages, hours, and conditions of employment. The NLRA attempts to protect worker choice of bargaining representatives, and the Landrum-Griffin Act provides for protection of individual rights. Given this perspective, democratic unions are necessary for workers to take meaningful advantage of their right to be represented in bargaining.

Protection of Individual Rights

This perspective focuses on processes by which individuals are protected from manipulation and oppressive practices of their unions. These

[4] G.D.H. Cole (John Lovell, ed.), *The World of Labor* (New York: Barnes and Noble, 1973); S. and B. Webb, *Industrial Democracy* (London: Longmans Green, 1920).

protections may be included in union constitutions and collective bargaining contracts which provide for due process and minority rights. This perspective also examines how undemocratic unions can neglect or ignore these rights and, in effect, disenfranchise individuals or groups.[5]

Union Effectiveness

This perspective views union democracy as enhancing union effectiveness by making unions more responsive to member needs and by facilitating selection of able leaders. For instance, increased member participation in demand formulation may provide a wider array of ideas. Also, increased participation may enhance bargaining power through a heightened sense of member commitment and solidarity.[6]

Democracy as an Ideal

This approach stresses the importance of democratic unions because of belief in democracy as an essential value and as an inherently legitimate process, rather than as a means to achieve other ends.[7]

Training Democratic Citizens

This perspective views democratic unions as providing training (socialization) for democratic participation in the larger society. That is, democratic voluntary organizations are seen to be the basis for perpetuating democratic society.[8]

Class Struggle

This perspective views democratic unions as potential vehicles to bring power to workers in a capitalist society. In this view, democratic unions act to increase worker consciousness and to redistribute power.[9]

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[5] For examples of this perspective, see Clyde Summers, "Union Powers and Workers' Rights," *Michigan Law Review* 49 (1951), pp. 805–38; Philip Taft, "Democracy in Trade Unions," *American Economic Review* 36 (1946), pp. 359–81.

[6] See Barbash; George Strauss and Leonard Sayles, "Patterns of Participation in Local Unions," *Industrial and Labor Relations Review* 2 (October 1952), pp. 32–43; and Alice Cook, *Union Democracy: Practice and Ideal* (Ithaca, NY: Cornell University, 1963).

[7] Edelstein and Warner; Barbash; and Clyde W. Summers, *Democracy in Labor Unions: A Report and Statement of Policy* (New York: American Civil Liberties Union, 1952).

[8] S. M. Lipset, M. Trow, and J. Coleman, *Union Democracy* (New York: Free Press, 1956).

[9] This perspective may be Marxist revolutionary as in V.I. Lenin, "What Is to Be Done?" in *Essential Works of Lenin*, ed. Henry M. Christman (New York: Bantam, 1966), or social democratic as in Burton Hall, ed., *Autocracy and Insurgency in Organized Labor* (New Brunswick, NJ: Transaction Books, 1972).

A Working Definition of Union Democracy

Discussions of democracy generally focus on one of two differing models. One is participatory democracy, or decision-making which actively involves all members of a community or organization. The alternative model is representative democracy. In a representative democracy, decisions are primarily made by elected representatives rather than in a town-meeting fashion.

Representative democracy prevails in the American labor movement. This reflects the practice of representative democracy by the larger society. Also, it may reflect the administrative need for coordination when decisions are made on a daily basis.[10] In addition, representative democracy is supported by the NLRA and similar public policies.

Recent political science and organizational behavior discussions of democracy focus on participatory rather than representative democracy.[11] Even so, these discussions allow for the use of a broader framework when looking at democracy. The following definition applies these perspectives to union democracy.

The basic definition for democracy used here is control by the governed, whether in a participatory or representative manner. Given this definition, democracy is a matter of degree rather than an either/or proposition. Thus, the more control by the governed, the greater the degree of democracy, and the less the governed control, the less the degree of democracy. Note that this definition makes no normative judgments about the desirability or efficacy of democracy.

This is not a unique definition. Seidman[12] developed a similar definition and called it a "rigorous test" of union democracy. He rejected this test as unrealistic. However, Seidman appears to have considered democracy unidimensional, or an either/or matter.

The definition developed here is multidimensional.[13] It contains two major dimensions of democracy and several related ones. The first major dimension is: What issues do the governed control? A related dimension is at what organizational level decisional control (initiating, developing, ratifying, and implementing decisions) is exercised.

[10] For a discussion of the administrative and representative functions of unions, see John Child, Ray Loveridge, and Malcolm Warner, "Towards an Organizational Study of Trade Unions," *Sociology* 7 (1973), pp. 71–91.

[11] See Pateman; Paul Bernstein, *Workplace Democratization* (Kent, OH: Kent State University Press, 1976); Arthur Hochner, "Worker Ownership and the Theory of Participation," doctoral dissertation, Department of Psychology and Social Relations, Harvard University, 1978.

[12] Joel Seidman, *Democracy in the Labor Movement* (Ithaca, NY: New York State School of Industrial and Labor Relations, Bull. #39, February 1958).

[13] See Bernstein; Hochner.

The second major dimension is: How much control do the governed exercise? This dimension involves not only the degree of control members have, but also the related dimension of how that control is expressed. To address the question of democracy in a particular union, these two major dimensions need to be considered simultaneously.

Range of Issues

The first democratic dimension is range and number of decisions controlled by union members. The greater the breadth of issues which members control, the greater the degree of union democracy. Similarly, the greater the importance of the decisions influenced by members, the greater the degree of union democracy. Importance would be defined as the members' perceived vital interests.[14] There are at least five major issue domains in union decision-making:

1. Contract negotiation (demand formulation, negotiations, contract ratification).
2. Contract administration (grievances, contract enforcement, dues, hiring halls).
3. Service to members (legal and social assistance, welfare programs, social activities, informal counseling).
4. Union administration (finances, office procedures, appointment of officials and staff, scheduling of meetings, formal communication with members).
5. External political and community activity (candidate endorsement and support, charitable activities, lobbying, public appearances).

A dimension related to range of issues is the organizational level at which decisional control is exercised over a particular issue. When members do not directly control decisions, decisions are made at higher organizational levels. For example, contract negotiation decisions are made at different levels in different unions, such as by local officers, by regional coalitions, or by national officers. However, making decisions at higher levels does not necessarily make the union undemocratic. This is because representatives may be sensitive and responsive to membership wishes. Furthermore, members often have controls over representatives, such as rights to review decisions and to choose and recall representatives.

Degree of Control

The working definition of democracy developed here suggests a sec-

[14] John C. Anderson, "Local Union Democracy," *Relations Industrielles* 34 (Fall 1979), pp. 431–49.

ond important democratic dimension. It is how much control, or the degree of control, the governed have over particular issues. The more control that members have over particular issues, the greater the degree of union democracy. This dimension includes both objective measures of membership control and measures of members' perceptions as suggested by Tannenbaum's concept of "perceived control." [15]

The controls members can have over union decisions range from little or no control to significant or total control. Some of these possibilities are:

1. No control (decisions made by officers or staff unilaterally without member influence or input).
2. Consultation (members may make suggestions, offer opinions, voice opposition to officer suggestions).
3. Veto power (officer decisions must be ratified or approved by members before taking effect).
4. Full decisional control (members participate in suggesting, developing, approving, and implementing policy).

Degree of control and issues over which control is exercised must be looked at simultaneously because amount of member control differs from one issue to another. For example, during contract negotiations members may have the right to make suggestions during demand formulation, but have little control over final decisions about what demands will be made. Members may also have little control over decisions made during negotiations, while maintaining the right to accept or reject final contract terms.

Because democracy may be either participative or representative, two aspects of control must be taken into account: control over decisions and control over representatives. The controls listed above apply to both aspects. However, full decisional control may be somewhat less applicable to control over representatives than to control over decisions.

Related to the degree of control which members exercise is the form of control. Member control is both formal and informal.[16] Formal controls are found in union constitutions and bylaws. Common formal controls are requirements that new contracts, strikes, and dues increases be ratified by members. Informal controls are not codified and they include a wide variety of individual and group influence tactics. Some of these include informing officers of problems, voicing support for or op-

[15] Arnold Tannenbaum and Robert Kahn, *Participation in Union Locals* (White Plains, NY: Row, Peterson, 1958).

[16] See, for example, John R. Coleman, "The Compulsive Pressures of Democracy in Unionism," *American Journal of Sociology* 61 (May 1956), pp. 519–26.

position to union policy in casual encounters, or even groups within the union appearing at meetings in unprecedented numbers.

Although formal controls have gotten more attention than informal controls in discussions of union democracy, it is not clear that formal controls foster a higher degree of union democracy than informal controls. On a particular issue, decisions may formally be made at an organizational level far removed from individual members. Nonetheless, informal pressures on leaders may make for a high degree of actual member control.

Implications

The working definition of democracy presented here has only two major dimensions and may appear relatively simple. However, it does not ignore the complexities involved in studying union government. In fact, its major value is its usefulness in comparing and analyzing many forms of union government. Its value becomes apparent when it is used to address some of the persistent controversies about the meaning and measurement of union democracy.

First, this definition of union democracy helps to clarify participation in relation to union democracy. Because democracy is control by the governed, participation in union activities has meaning for union democracy only to the degree it involves decision-making. Mere attendance at meetings or work on union committees may not be important to union democracy. Equating participation and democracy for unions administered as representative rather than participatory democracies is particularly misleading. "Busywork" participation[17] may be important to union functioning, but should not be used as an indication of a democratic union. When there is little opportunity for decisional participation, it is almost as fruitless to debate the meaning of low meeting attendance as it would be to wonder about lack of public attendance at sessions of Congress.

A second application addresses criticisms of the labor movement for being undemocratic. Two major measures by which unions are judged undemocratic are lack of organized oppositions, or two-party systems, and low officer turnover rates.[18] Because the definition developed here focuses on decisional participation by members, it does not require formally organized internal opposition. Members may influence decisions through fluctuating issue-oriented coalitions, factions, or pressure

[17] Barbash.

[18] For a discussion of the importance of the two-party system, see Lipset et al.; Anderson, in "A Comparative Analysis . . . ," discusses officer turnover as a measure.

groups. Similarly, low officer turnover may indicate a high degree of responsiveness to members rather than a lack of responsiveness to members. This is clearly a fruitful area for further research.

Another implication is that the multidimensional definition of democracy begins to rectify problems of using simple, single measures of democracy such as formal constitutional provisions or leader turnover. Measures such as these provide little useful information about actual democratic processes in unions. However, the proposed definition of democracy, by incorporating both formal and informal as well as direct and indirect participation in decision-making, allows for more meaningful comparative interunion research.

In summary, this definition of union democracy facilitates systematic examination of union democracy and participation. It avoids value judgments usually made about union democracy, while providing an analytical framework more general than previously used perspectives.

Union Participation and Convention Democracy

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The participation of individuals in union activities has been a long-standing interest of industrial relations research. A great deal of research was designed to identify the individual, social, and organizational correlates of participation.[1] It was believed that determining the important factors influencing participation would help union leaders and policy-makers to increase the overall level of membership involvement, and hence, the internal democracy of unions. As such, participation was of interest, in part, because of its presumed relationship to other criteria of union democracy. That is, as participation by members in union activities increased, it was also expected that democracy in union decision-making, in the electoral process, and the responsiveness of union leadership to the members would also improve. Unfortunately, these assumptions have rarely been the subject of empirical investigation. Therefore, while many of the factors influencing the involvement of individuals in union activities are well documented, much less is known about the consequences of participation.

Generally, the research which has assessed the impact of participation has not focused on its relationship to other criteria of union democracy. Moreover, the research designs often make it difficult to determine the direction of causality; whether participation influences other behaviors and attitudes or vice versa. However, the research indicates that active union members tend to hold different political attitudes, file grievances, campaign in union elections, defend the union, be familiar with the collective agreement and union bylaws, and to be more militant.[2] Thus, while participation appears to be linked to a number of

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[1] See, for example, W. Spinrad, "Correlates of Trade Union Participation," *American Sociological Review* 25 (April 1960), pp. 237–44, and M. Perline and V. R. Lorenz, "Factors Influencing Member Participation in Trade Union Activities," *American Journal of Economics and Sociology* 29 (October 1970), pp. 425–37.

[2] R. Hudson and H. Rosen, "Union Political Action: The Member Speaks," *Industrial and Labor Relations Review* 7 (April 1954), pp. 404–18. A. Tannenbaum and R. Kahn, *Participation in Union Locals* (Evanston, IL: Row, Peterson, 1958), pp. 57–58. A. Shirom, "Union Militancy: Structural and Personal Determinants," *Industrial Relations* 16 (May 1977), pp. 152–62.

individual behaviors, only a few studies have examined the association between membership participation and other dimensions of union democracy.

In the four local unions studied by Tannenbaum and Kahn, participation in union activities was found to be related to the degree of membership control over the way the union was run, although there was no correlation between participation and control by the bargaining committee, the executive board, the president, or total control.[3] Anderson discovered that participation in union activities was significantly associated with member participation and influence in decision-making and to the degree of electoral control in the local union, but was not correlated with increased leadership responsiveness or a more democratic control structure.[4] Thus, even the little research which is available does not produce consistent relationships between membership participation and union democracy.

The purpose of this paper is to examine the extent to which several measures of union member participation are related to democracy within the union convention. In the next section the criteria of democracy at the union convention are outlined and the hypothesized relationships to the dimensions of participation and local democracy are detailed.

Convention Democracy

The union convention has been depicted as a constitutional assembly, a legislative body, a final court of appeals, a nominating and electoral congress, and as a forum for the review and evaluation of past policy and performance.[5] Moreover, the convention itself has been identified as one of the cornerstones of national union democracy. While a large number of factors related to convention democracy—frequency, purpose, internal dynamics—have been identified, most have been the subject of single studies and little consensus exists about the important dimensions of democracy.[6] For purposes of exposition, these criteria can be divided into three groups: convention behavior, process, and outcomes.

Convention Behavior

As with the local union meeting, participation at the union conven-

[3] Tannenbaum and Kahn, pp. 152–62.

[4] J. C. Anderson, "Local Union Democracy: In Search of Criteria," *Relations Industrielles* 34 (1979), pp. 431–51.

[5] W. Leiserson, *American Trade Union Democracy* (New York: Columbia University Press, 1959), pp. 122–45.

[6] For a review, see J. C. Anderson, "The Union Convention: An Examination of Limitations on Democratic Decision Making," *Relations Industrielles* 32 (1977), pp. 379–98.

tion has been identified as an important indicator of democracy. Faunce argues, for example, that for a convention to be democratic, it is vital that delegates present resolutions, speak on the issues, and vote in the elections conducted at the convention.[7] Each of these behaviors can be viewed as methods of increasing the representation of the interests of the general membership. Resolutions, which may be submitted prior to or on the floor of the convention, assure that the concerns of members are brought to the attention of the total union and when presented by delegates, that the union executives are not in total control of the issues to be raised and discussed at convention. The submission of a resolution alone does not guarantee that it will be resolved democratically, however. It is important that individuals rise to speak in favor of or in opposition to these proposals. The process of debate provides additional information to the delegates, clarifies the issues, and introduces different perspectives. As a result, delegates may be better equipped to weigh the evidence and to decide what type of vote best represents the concerns of the local membership. Finally, a major purpose of the union convention is often to elect the regional and national union executives. The voting behavior of delegates is also important to electoral democracy in this context. If individuals do not vote in convention elections, the candidates selected to be endorsed by the local union may not win the office.

Convention Process

Marcus indicates that the most basic question surrounding the actual convention proceedings concerns the extent to which the internal dynamics of the convention are controlled by the executive or various other interest groups.[8] Therefore, another important dimension of convention democracy involves the decision-making process and the degree that delegates feel free to vote in the best interests of their constituents. However, often circumstances exist which limit the freedom of voting delegates. For example, individuals may feel pressure to vote with the recommendations of the resolutions committee, the national officers, a particular caucus at the convention, or with the majority.[9] In addition, all delegates may not have the necessary information to be informed voters on convention resolutions. In fact, the selective presentation of

[7] W. Faunce, "Size of Locals and Union Democracy," *American Journal of Sociology* 67 (November 1962), pp. 291–98.

[8] P. Marcus, "Union Conventions and Executive Boards: A Formal Analysis of Organizational Structure," *American Sociological Review* 31 (January 1966), pp. 61–70.

[9] Anderson, "The Union Convention. . . ."

information is a well-known technique used to influence the behaviors of others. The freedom of delegates to vote, the pressures on delegates to vote in a particular way, and limitations on the information available to delegates are three criteria which can be identified as dimensions of the extent of democracy in the decision-making process at the convention.

Convention Outcomes

A third area of democracy in union conventions is the actual outcomes of the convention. It is expected that if the behavior and processes within the convention are democratic that the outcomes will also be democratic. That is, the decisions made at convention should reflect the interests of the membership. Thus, decisions should be made by the majority and the membership should be satisfied with the decisions made. Faunce also indicates that the delegates should perceive that the convention was actually important in establishing union policy.[10]

Does the level of participation of the individual in union decision-making have an impact on the dimensions of convention democracy? It is hypothesized that active members are more likely to participate in their role as convention delegates. Moreover, they should also perceive the convention process and outcomes to be more democratic. Furthermore, delegates who are representatives from more democratic local unions should also participate more in convention activities and perceive the process and outcomes as more democratic.

Research Design

Sample

Questionnaires were mailed to all registered delegates at the 1975 biennial (31st) convention of the British Columbia Government Employees' Union, along with a stamped return envelope. A total of 126 of 214 local delegates returned usable questionnaires, a response rate of 59 percent. An examination of the distribution of responses by local union and occupational group revealed that nonrespondents appeared to be randomly distributed.

Independent Variables

Participation in decision-making was assessed by asking respondents in which of eight decisions they actually took part. The decisions were: contract proposals, electing union leaders, constitutional changes, union

[10] W. Faunce, "Delegate Attitudes Toward the Convention in the UAW," *Industrial and Labor Relations Review* 15 (July 1962), pp. 463–73.

policy, use of union funds, hiring union staff, autonomy, and discipline of members. However, all members may not have an equal desire for increased participation in decision-making; thus the extent to which individuals experience "decisional deprivation" may be a more important variable.[11] Therefore, respondents were also asked if they desired to participate in each of the eight decision areas. This resulted in two additional independent variables: desired level of participation and the degree of decisional deprivation (desired minus actual participation). Respondents also indicated their extent of influence over each of the above eight decisions on a four-point scale ranging from little or no to very strong influence. In addition, desired influence was also obtained and deprivation of influence (desired minus actual influence) computed. Finally, the control graph technique developed by Tannenbaum and Kahn was used to assess the extent of democracy in the local union. Respondents were asked to indicate the amount of influence each of six union groups have over the way the union is run. The relative influence of the membership vis-à-vis other union groups was used as the measure of control structure.

Dependent Variables

The measure of convention behavior was an index comprised of whether or not the individual: (1) submitted resolutions, (2) spoke on the issues, and (3) voted in the elections. Three variables were used to assess the extent of democracy in the convention process: (1) a single item on how often the delegate had enough information to vote; (2) a three-item index on how often pressure was felt to vote with certain groups at the convention; and (3) a single item on how often the delegate felt free to vote as desired. Respondents answered on six-point scales ranging from never to always. Three single-item measures were used to examine democracy in the following outcomes of the convention: (1) the perceived importance of the convention in determining union policies; (2) membership satisfaction with the decisions made at convention; and (3) the frequency with which the delegate voted with the majority. Six-point scales with appropriate anchors were used.

Results

Table 1 presents the correlations between the measures of member participation, union control structure, and the criteria of democracy in convention behavior, process, and outcomes. Member participation in decision-making is significantly related to participation in convention

[11] J. Alutto and J. Belasco, "A Typology for Participation in Organizational Decision-Making," *Administrative Science Quarterly* 17 (March 1972), pp. 117–25.

TABLE 1

Correlations of Member Participation with Convention Behavior, Processes, and Outcomes (n = 126)

Participation Measures	Convention Behavior	Convention Process			Convention Outcomes		
		Information Available	Pressure on Voting	Freedom to Vote	Vote with Majority	Importance in Policy	Membership Satisfaction
Participation in decision-making:							
Actual	.21***	.14*	−.31***	.06	.19**	.08	.08
Desired	.12*	.11	−.23***	−.03	−.11*	.19**	−.04
Discrepancy	.12*	−.16**	.08	.05	−.20**	−.08	−.05
Influence in decision-making:							
Actual	.10	.38***	−.02	.06	.26***	.09	.12
Desired	.26***	.23***	−.02	−.02	.07	.11	.11
Discrepancy	.17**	−.18**	−.15**	−.05	−.26***	−.26***	−.23***
Local union control structure	−.22***	.16*	−.04	.20***	.23**	.16**	.20***

Note: * $p < .10$; ** $p < .05$; *** $p < .01$

activities. The greater the actual and desired levels of participation in decision-making, the more likely the delegate was to submit resolutions, speak on the issues, and vote in the convention elections. Where the individual desired to participate more than the present actual level of participation, involvement at the convention was also greater. It appears that the tendency to participate carries over from one situation to another. Moreover, the desire for increased involvement in decision-making is likely to increase the probability of participation at the convention. The greater the individual's desire for influence and the greater the discrepancy between desired and actual influence, the more the delegate participates in the convention. Interestingly, the more democratic the control structure, the less likely it is that the delegate will be active at the convention. Although this finding is opposite the hypothesis, it is possible that individuals from democratic locals feel less of a need to be active.

Union participation is also related to the criteria of convention process democracy. All of the participation independent variables have the expected association with perceived availability of information on resolutions and only one fails to reach significance. The greater actual level of participation and influence in decision-making, the lower the discrepancy between desired and actual participation and influence, and the greater the desired influence and the more democratic the union control structure, the more frequently the delegates perceived that they had enough information on which to base their votes. In addition, the higher the actual and desired participation of the individual in decision-making, the less frequently pressure was perceived in voting. The discrepancy between desired and actual influence was also negatively correlated with the frequency of pressure on the delegate. None of the other independent variables was found to be significant. The measures of participation and influence in decision-making were uncorrelated with the delegates perceived freedom in voting. On the other hand, a more democratic control structure is related to greater perceived freedom in voting. In general, the results suggest that as participation increases, delegates report having both enough information and less pressure on the way they vote, but no relationship is discovered with the freedom to vote.

Although less consistently, measures of union participation also are significantly associated with criteria of democracy in the outcomes of the convention. Both actual participation and influence of the individual in decision-making are related to a stronger probability of voting with the majority. However, delegates with greater desired participation and

delegates who desired more participation and influence than they actually had were less likely to vote for the majority. It appears that a vote with the majority may be viewed by some as a nonvote and therefore those who desire more involvement may want to make their influence attempts noticeable by going against the majority. In addition, delegates who represent local unions with more democratic control structures were more likely to vote with the majority at the convention.

The dimensions of union participation appear to be less strongly associated with the two remaining convention outcomes. Only individuals with more desire for participation in decision-making perceive the convention to be more important in establishing union policies. Similarly, only the discrepancy in influence over decision-making is related to these dependent variables. The greater the difference between desired and actual influence, the less important the convention was viewed in setting policy and less satisfied the members were seen to be with the decisions made at the convention. Finally, representing a democratic local union was significantly correlated with the perceived importance of the convention and membership satisfaction with it.

Discussion and Conclusions

The purpose of this paper was to examine the impact of union member participation on other criteria of union democracy—in this case democracy at the union convention. While the results are generally supportive of the hypothesis that more participative members will be more active at the convention and view both the internal dynamics and outcomes of the convention as more democratic, they are not consistently strong across all dependent variables. Individuals who participate and have influence in union decision-making processes are also more likely to be involved in convention activities, to have enough information on which to vote, and to be less likely to feel pressure to vote in a particular way. Participation appears to have less of an impact on the perceived freedom to vote, the perceived importance of the convention, or membership satisfaction. Thus, while involvement in decision-making may prepare individuals to be actively involved in the convention proceedings and ensure that they are informed and able to vote, it does not guarantee that the outcomes of the convention are democratic. Clearly a number of other variables, including convention process and behavior, can impact the democratic or undemocratic nature of convention outcomes.[12]

Only two variables are consistently associated with democratic con-

[12] Anderson, "The Union Convention. . . ."

vention behavior, process, and outcomes. Delegates who feel deprived of influence in the union decision-making process were more likely to be active but less likely to view either the process or the outcomes of the convention to be democratic. Conversely, individuals representing democratic local unions were less likely to be active (possibly because they felt their interests were already well represented) but also perceived the convention process and outcomes to be more democratic. Thus, both the past experience of the individual and the structural characteristics of the local union are important determinants of convention democracy.

This study used an approach to measuring participation which appears to be more consistent with the theoretical construct of participation than measures typically used of the number of activities in which the member is involved.[13] It is interesting to note that the measures of participation at the convention were totally unrelated to the measures of convention process and outcomes. The correlations ranged from —0.07 to 0.04. Thus, it seems that the impact of participation may be to some extent dependent upon the measures chosen. Future research is needed to examine both alternate measures of participation and criteria of union democracy in other contexts.

[13] See J. C. Anderson, "Local Union Participation: A Re-examination," *Industrial Relations* 18 (Winter 1979), pp. 18–31.

Leadership Responsiveness in Local Unions and Title VII Compliance: Does More Democracy Mean More Representation for Blacks and Women?*

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The purpose of this paper is to explore the relationship between local union democracy and compliance with Title VII of the Civil Rights Act of 1964.[1] Although Title VII compliance encompasses a myriad of employment practices, the ones which are of interest here are those covering promotion, transfer, and upgrading policies.[2] The changes in these promotion and upgrading policies that are required by the Act can be made through changes in the seniority system, the posting and bidding procedures, and training programs in the collective bargaining agreement at the local union's initiation.

This study includes 11 case studies of local union compliance in two international unions. The information is based on semistructured interviews with five to six leaders from each local. From these, a detailed case history of compliance in each local was constructed, which included the employer's characteristics, the community characteristics, the structural characteristics of the local, the key events leading to compliance, and the local leadership's ideology.

There is reason to expect that local union democracy will affect a local's compliance with the law. Although the direction of this relationship is arguable, it is posited here that union democracy will have a positive effect on compliance. First, it seems plausible that the more democratic the union, the more responsive it may be to an outside

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[1] Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e et seq.

[2] Section 703h of the statute stated that bona fide seniority systems were lawful, but under *Griggs* v. *Duke Power*, 401 U.S. 424 (1971) and *Quarles* v. *Philip Morris*, 279 F.Supp. 505 (1968), the courts ordered the use of plantwide seniority systems for promotions, the use of posting and bidding procedures, and the use of rate retention for transferees.

change, including a law. This assumes that the more democratic the local union is, the more permeable it is and that permeability leads to positive responsiveness. Democracy in a local union also implies a high degree of individual participation. The individuals who can differentially benefit from this participation may be from those groups such as blacks and females which had limited participation in their unions in the past.[3] Finally, a democratic union implies not only an active membership but a responsive leadership. Thus, leadership responsiveness to demands by blacks and females, such as Title VII-related changes, may be great in a democratic union both because such demands are likely to be voiced and because the leadership is likely to respond.

On the other hand, it is possible that union democracy may be negatively associated with Title VII-compliance activity. If we assume that more democracy implies a clearer expression of majority interests, and if we assume also that majority and minority interests—minority being blacks and females—are in conflict,[4] then more democracy may not lead to compliance. However, the author still contends that union democracy will have a positive effect on compliance. Since the history of most unions is that of severely limited participation of blacks and women, it seems that greater democracy will cause greater participation and representation of these two groups.

This study is an approach to union democracy that departs from past studies in several key ways. The definition of democracy is broadened to include the idea of representation of a group's objective interests by the leadership rather than just its demographic representation in the leadership, as well as the idea of minority representation and minority participation. (In this study minority refers to blacks and women.) There is also an attempt to see the *results* of these democratic processes in terms of the responsiveness of the leadership to demands of blacks and females. Leadership responsiveness means positive responsiveness to the demands of these groups, as indicated by the local union's compliance with Title VII. Compliance is defined here as the activity or behavior of a local union which moves it *toward* compliance with Title VII.[5]

[3] Herbert Hill, *Black Labor and the American Legal System,* Vol. II (Washington: BNA, 1977).

[4] Carol Pateman, *Participation and Democratic Theory* (London: Cambridge University Press, 1970).

[5] The measure of compliance here is broader than legal compliance only. It includes: (1) the presence of plantwide seniority for upgrading; (2) the ambiguity of contract language on upgrading; (3) a procedure for posting; (4) provisions for rate retention; (5) a nondiscrimination provision and a provision for a joint civil rights committee; (6) a provision for nondiscriminatory training; (7) provisions requiring

Issues in the Field

The question of whether unions are democratic has provided scholars with a rich area for inquiry and commentary for the last 50 years. Recently, there has been a resurgence of interest in union democracy which has not only raised new issues that need to be addressed, but which has challenged some of the conceptualization and measurement of democracy used in the past.[6]

There are several faults with the dominant conceptualization of democracy in these past studies. First of all, the measures used are often overly mechanical in nature. What appear to be differences in the degree of democracy often are purely artifacts of the mathematical formula used to construct these measures. Second, the conceptualization of democracy is narrow in that it involves democratic processes only, rather than the impact of democracy. A third problem is that democracy in these studies is narrowly defined as direct participation only, rather than representation. One result of this is that a union tends to be forced into a dichotomous classification as either a bureaucracy or a democracy with nothing in between. The assumption in many of these studies is that changes in the amount of participation (or in the amount of demographic representation) change the result. In fact, the assumption is that the greater the participation, the better—that is, the more representative—the result. The fourth problem with these studies is that the definition of participation is often narrow in scope. It usually only encompasses political forms of participation, the governance activities internal to the union, such as attending meetings, voting for officers, and running for office, rather than economic or social forms of participation, such as voting on contract ratification, striking, or discussing union affairs with friends.

Conceptualization

There are four different conceptualizations of democratic process presented. The relationship of each of these to leadership responsiveness will be examined. Two of these are traditional measures involving the

nondiscriminatory testing or union participation in testing; (8) an incorporation of Title VII standards in grievance language and arbitration clauses; and (9) other efforts such as filing EEOC complaints, lawsuits, or unfair labor practice charges. The measure accounts for the amount of procompliance change that has taken place. The legal definition now under *T.I.M.E.-DC, Inc.* v. *U.S.* and *Teamsters* v. *U.S.*, 431 U.S. 324, 14 FEP Cases 1514 (1977) is that departmental seniority systems which are bona fide are legal.

[6] George Strauss, "Union Government in the U.S.: Research Past and Future," *Industrial Relations* 16 (May 1977), pp. 215–42; John C. Anderson, "A Comparative Analysis of Local Union Democracy," *Industrial Relations* 17 (October 1978), pp. 278–95.

number of participants and the amount of competition for union office and two are new measures involving the participation and the representation of minority interests. The first is the *decentralization of decision-making*, or the extent to which decision-making is dispersed among many people, rather than among a few. The second is the presence of competition in the form of *factions*. This is based on the idea that competition provides a choice, or at least a way of making the leadership in power accountable. These two ideas have been prevalent in the literature. A third measure of democracy can be defined as the *direct participation of blacks and women* in the leadership or demographic representation. This definition is based on the idea that democracy can happen through representation and that an individual who is a member of a group is a representative of the group. The fourth component of democracy is the *black advocacy* and *female advocacy* which is the representation of the objective interests of blacks and females by either blacks, females, or other individuals. It should be noted that it is not necessary to be a member of the group to be an advocate.

Results

Decentralization

The decentralization of decision-making in locals or the number of decision-makers does not appear to be associated with responsiveness to Title VII. (Decentralization in this study is measured by the absolute number of people who wield the power to make the local's decisions concerning collective bargaining.) There is not a great deal of variation in the absolute number of decision-makers across locals, as is indicated by Table 1. Most of the locals have only two or three decision-makers except for Local No. 9 which has 17. From the interview material, it is clear that Local No. 9's compliance activity did not result from this decentralization but rather from the imposition of a consent decree which was agreed to by the international union, the employer, and the government.

There may be several reasons why decentralization is not associated with high levels of compliance activity. The first is that the more decentralized the organization, the more opportunity there is for majority expression, and the majority was strongly opposed to Title VII changes in these locals. The second explanation lies in the way organizational decentralization was measured—by the number of decision-makers in the bargaining area. As has been pointed out, a union has two governments—one which governs the bargaining area and one which governs

TABLE 1

Local Union Scores

Local #	*COMP*	*TRIC*	No. of *DMKERS*	*FACT*	*BL PART*	*BL ADVOC**	*FE PART*	*FE ADVOC*
1	34.5	High	2.0 (2)	Yes	Yes	Yes	Yes	Yes
2	26	Med	3.6 (4)	No	Yes	Yes	Yes	Yes
3	24	Med	3.3 (3)	Yes	Yes	Yes	Yes	No
4	24	Med	5.5 (6)	No	Yes	Yes	Yes	No
5	21	Low	3.5 (4)	No	Yes	No	Yes	No
6	20	Low	3.0 (3)	Yes	Yes	Yes	Yes	No
7	28	High	1.9 (2)	No	Yes	Yes	No	No
8	25	Med	1.75 (2)	No	Yes	Yes	No	No
9	30	High	17.0 (17)	No	Yes	Yes	No	Yes
10	17.5	Low	2.0 (2)	Yes	Yes	No	No	Yes
11	23.5	Med	2.3 (2)	No	Yes	Yes	No	Yes

* Chi-square of *BL ADVOC* and trichotomous Comp. = 6.5, df = 2, sig = .03.

Definitions: COMP = local compliance with Title VII (see fn. 4); *TRIC* = trichotomous compliance with Title VII; No. of *DMKERS* = decentralization—number of decision-makers, averaged and rounded off; *FACT* = two viable local factions which run candidates for election; *BL PART* = black participation in the local at or above the level of steward; *BL ADVOC* = black advocacy or interest representation of blacks in the local; *FE PART* = female participation in the local at or above the level of steward; *FE ADVOC* = female advocacy or interest representation of females in the local.

the daily administration of the union. Perhaps decentralization should have been measured through decision-making in another area.

Factions

The reason that factions may make a difference for leadership responsiveness of locals is that their presence implies a degree of choice for the members. Of the locals, four had factions. Local No. 1 was the only one in which two factions had different positions on Title VII. However, according to the interviews, it is the adoption of the goal of nondiscrimination by the leadership as a whole, not the presence of factions, which is responsible for the local's compliance. In the other three locals (Nos. 3, 6, and 10), the factions are not based on race or they do not have different positions on Title VII. There are no locals whose factions represent female interests, although Local No. 1 comes the closest to this. It appears that representation of black and female interests through factions is quite limited, but it may be useful to look at direct participation of these two groups.

Black Participation

In this study, black participation in the leadership is defined as the presence of a black in an elected leadership position at the level of a steward or above. The results indicate that although participation does not seem to harm compliance efforts, it does not seem to guarantee

them. Each local has some black participation, although most of the locals have only *one* person who was a black participant. However, the locals vary in their amount of compliance activity. This pattern, plus the interview material, suggests that there may be factors besides participation which explain compliance. In fact, in the three locals, Nos. 7, 8, and 9, which have more than one black participant and which have moderate to high responsiveness to Title VII, the compliance activity is not due to the number of black participants, but rather to outside forces, such as the international union staff and the NAACP which used legal sanctions to change the leadership's response.

Black Advocacy

What seems to be much more critical than black participation is black advocacy. For example, the two locals with no advocacy are two out of the three lowest compliance locals. Similarly, of the eight locals where there is some black advocacy, three are high in compliance, five are medium in compliance, and only one is low in compliance (see Table 1). The interviews confirm the role that advocacy plays, particularly in the early stages of compliance.

Female Participation

As can be seen from Table 1, there are only five locals with female participation. The reasons for this include the recent hiring date of women, which gives them less job security, less "stake" in their jobs, and less familiarity with fellow employees. Also, a reticent to hostile attitude on the part of the male local union leadership is a deterrent.

Female Advocacy

There are six locals with no female advocacy (see Table 1). In general, female advocacy does not seem to be as effective as black advocacy in causing compliance. In only two locals, No. 1 and No. 2, is female advocacy associated with compliance. Even in Locals Nos. 9, 10, and 11 where there were specific demands made by the females, the local advocacy was belated and was instigated by the international union.

In summary, advocacy aids compliance more than does decentralization, factions, or actual participation. It is important to note that advocacy helps mainly in raising the issue. Black advocacy is clearly more effective than female advocacy.

Conclusions

With the exception of Local No. 1, it seems that bureaucratic means such as the intervention of the international union are responsible for

the *achievement of compliance* in these locals. This intervention is necessary even where the local is "democratic" in the sense that it has several decision-makers, that it has several factions, and that it has direct participation of blacks and women in the leadership. However, this does not mean that democratic processes have no effect on leadership responsiveness, as measured by Title VII compliance. The representation of black interests through a black advocate in the leadership does help the process, *by raising the issue* initially and by evoking early leadership responsiveness. This is less true with female advocacy than with black advocacy. Advocacy does not translate automatically into leadership responsiveness because of (1) the opposition of the majority of members in these locals, (2) the lack of power of the advocates, and (3) the ideology that union leaders hold regarding the neutrality of all seniority systems.

The results may look discouraging in several ways. First of all, there is not much support for the idea that union democracy has a positive impact on Title VII compliance. Second, the prospects for local unions voluntarily complying with Title VII—that is, both initiating and achieving compliance activity without external pressure—appears to be unlikely. Thus, much of successful compliance may depend heavily on the role of the international, the EEOC, and the courts.

The policy implications of this study are significant. If civil rights compliance is a "top down" rather than a "bottom up" process, the role of the international union in the enforcement process becomes crucial. Perhaps, the utility of more bureaucratic devices such as consent decrees, in which the international union takes the responsibility for carrying out compliance in its locals, should be the topic of further investigation.

This study suggests several unresolved questions which can be addressed by future research. In terms of the conceptualization of union democracy, more work can be done to see what the various dimensions of union democracy are. For instance, what is the relationship between democratic procedures and democratic results? More work can be done to discover the effect of union democracy in other areas of policy compliance, such as compliance with occupational safety and health legislation. Since other policy areas may not involve the potential conflict between majority and minority interests which Title VII implies, this may increase the chance that democracy may lead to compliance.

DISCUSSION

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Let me begin by noting that all three of these papers constitute fine examples of the new rigor and precision that characterize the work now being done in this field which has lain dormant for too many years. These three papers include two empirical studies of local union democracy and its effects on, respectively, international union convention democracy and local union Title VII compliance. The third paper is a theoretical discussion of the problem of democracy with particular attention to its definition. To summarize briefly the findings of the empirical studies, Anderson found that convention delegates who participated in local union decision-making also actively participated in convention activities. However, convention delegates from more democratic local unions participated less actively in convention activities, and active participation at the convention was "totally unrelated" to the measures of convention process and outcomes. Hoyman found "not much support" for the idea that union democracy has a positive impact on Title VII compliance.

As a point of departure for discussing the three papers, might we not ask if these findings are at all unexpected or surprising? I would submit that they are neither. Much of the surprise which the authors express over their findings can be attributed to their distinction between outcomes and processes. The hypothesized relationship in both studies is that democratic processes will lead to democratic outcomes. A priori, this proposition is vulnerable on two counts. First, there may be no such thing as a democratic outcome which is separate and distinct from the process used to reach it. So long as the process of deciding is democratic, goes the argument, then the outcome is necessarily democratic. To argue the contrary is to unwarrantedly presume to be able to discern which outcomes are democratic and which are not. The conundrum which the U.S. Supreme Court confronted in the *Teamsters* case[1] (to which case Hoyman cites extensively) of choosing between seniority and affirmative action indicates the dimensions of the problem.

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[1] *International Brotherhood of Teamsters* v. *United States*, 431 U.S. 324, 97 S.Ct. 1843 (1977).

Second, if what is meant by democratic process is some kind of majority rule, then we would expect application of that rule to occasion outcomes favorable to the majority and often, necessarily, less favorable or unfavorable to the minority(ies) within the local union. That there can be and all too often is a tyranny of the majority was one of the reasons for the passage of the Labor-Management Reporting and Disclosure Act. From this perspective, Hoyman's finding that the union leadership was often instrumental in moving the local toward Title VII compliance is less ironic.

Refining the Study of Union Democracy

The assumption of both of the empirical studies is that unions should be democratic, but only Hoyman begins to examine the basis of this assumption. A similar demand is not made of employers. Why therefore the disparity in treatment between unions and employers? The answer derives in large part from the practice of exclusive representation. Unlike the managerial employee who both negotiates his salary and adjusts his grievances individually with his employer, the unionized employee under the jurisdiction of the National Labor Relations Act must engage in both of these practices collectively through his bargaining agent. Because the union is the employees' exclusive representative, our democratic heritage demands as a quid pro quo that that representation be a democratic one. The consequence is a democratic imperative directed at local unions.

In contrast to this democratic imperative is the autocratic imperative dictated by the pragmatics of high pressure, high stakes, last-minute negotiating with large, often recalcitrant employers. Exclusive representation is an important factor in maintaining the power and strength of the bargaining agent in the face of employer resistance.

The two imperatives are inconsistent. A balance must be struck between them. As that balance has been struck in American industrial relations it imposes a duty of fair representation upon the bargaining agent which duty falls short of compelling pristine democratic processes within unions. Direct democracy is eschewed in favor of representative democracy. Membership ratification of strike calls and/or of contracts is not universally required by law. A union member must prove that his bargaining agent breached its duty of fair representation before he can individually adjust his grievance with his employer.[2] All of the items just mentioned represent procedural compromises with the pristine model of direct democracy.

[2] *Vaca* v. *Sipes,* 386 U.S. 171, 87 S.Ct. 903 (1967).

This perspective of compromise suggests three sets of questions. First, when, i.e., with regard to which issues, must such compromises be struck in order to preserve the essential strength of collective bargaining? For example, the case for compromising the individual employee's control over his own grievance is much weaker than that for compromising his control over his own bargaining of his terms of employment.[3] Is this a proper subject for compromise in the first place? Such an issue-by-issue approach is precisely that advocated by Hochner et al.

Second, what degree of control should be exercised over each issue by the individual union member and by the union leadership? If, for example, we concede that complete handling of grievances by individual union members is properly compromised, ought an individual employee nevertheless be permitted to carry his grievance to arbitration over the refusal of his union to do so? A subsidiary issue here is the degree to which control exercised by an elected leadership is undemocratic. If one believes in the efficacy of representative democracy, then perhaps the claimed inconsistency between the democratic and the autocratic imperatives is a false one. This question of relative degree of control is precisely the second facet of Hochner et al.'s approach to the problem.

Note that by specifying the subject and the degree of control over that subject, a new and welcome measure of precision is introduced into the discussion of union democracy, but note further that I specify the subjects much more narrowly than the five broad categories suggested by Hochner et al.

Third, what of the prior question of exclusive representation? Were that principle to be deleted from our law and a system of nonexclusive representation modeled on the British system substituted in its place, might that not diffuse (almost) in its entirety the debate over union democracy? Then the individual employee would be able to decide for himself what should be the relative distribution of authority between himself and his union leader over any particular issue by joining or forming whatever union suited his demand for democracy.

[3] See, e.g., Clyde W. Summers, "Individual Rights in Collective Agreements and Arbitration," 37 *NYU Law Review* 362 (1962).

DISCUSSION

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The late Reverend A. J. Muste wrote in *1928* that the trade union seeks to combine within itself three divergent types of social structure —an army, a business, and a democratic town meeting.[1] Each local union must have a department of war and a department of state. The late Professor George W. Taylor wrote in *1958* that the main functions of the union are primarily to: "(1) make available to individual employees a right effectively to participate in a determination of the conditions under which they work; (2) discern, reconcile and then represent the diverse and often conflicting demands and interests of its memberships and . . . even the interests of non-members in a bargaining unit. . . .; (3) share with the employer the making of important business decisions in which the needs of union members are reconciled with the needs of the business enterprise." [2]

I note that both viewed the union in a continuing relationship with management, as an organization of workers sharing in the union's decisions and as an effective bureaucratic organization. These basic aspects influenced the structure, as well as the internal and external behavior, of unions. Their formulations incorporate the notion that power is an important reality conceptualizing, describing, and analyzing union democracy. I would like you to consider the foregoing as we discuss the three papers.

All the authors are critical of and dissatisfied with the existing approaches to the study of union democracy. Hochner-Koziara-Schmidt complain about the absence of an "explicit framework or . . . a commonly agreed upon definition of union democracy"; Hoyman finds "several faults with the dominant conceptualization of democracy in . . . past studies"; and Anderson concludes that "only a few studies have examined the association between membership participation and other dimensions of union democracy."

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[1] "Factional Fights in Trade Unions," in *American Labor Dynamics*, J. B. S. Hardman, ed. (New York: Harcourt, Brace, 1928), pp. 332–48, pp. 332, 335.

[2] "The Role of Unions in a Democratic Society," Selected Readings, *Government Regulation of Internal Union Affairs Affecting the Rights of Members*, Senate, Subcommittee on Labor of the Committee on Labor and Public Welfare, 85th Congress, 2nd session (Washington: U.S. Government Printing Office 1958), pp. 16–25.

All the authors are seeking to reduce the diversity and complexity of union democracy to a clearer identity. The Hoyman and Anderson papers are behavioral and quantitative with tight conceptual structures. The Hochner-Koziara-Schmidt paper is of a different genre. It seeks answers to criterion and utility questions about union democracy and why the subject should be researched, develops a nonnormative definition to provide an empirical and theoretical guide to research, and presents some implications of the new framework.

The papers reflect a renewed interest in local unions, contribute ideas and data about union democracy, and stimulate us to reexamine a critical aspect of industrial relations. Although unstated in the Hoyman and Anderson papers and deliberately avoided in the Hochner-Koziara-Schmidt paper, all authors assume that union democracy is a preferred state of affairs.

Professor Hoyman's study includes 11 case studies of local union compliance with Title VII, EEO in two international unions. She relates various features of union democracy to the amount of leadership responsiveness to black and female demands, as measured by the amount of compliance activity of the local union. The paper stresses the concepts of participation and impact.

The conclusions of her study are helpful and thoughtful and raise critical questions about the nature of democratic locals. To achieve compliance with Title VII after the international signed a consent decree, the decision of the majority of union members had to be overridden. She found that the more democratic the union is in representing majority interests, the less democratic it is in responding to the interests of minority-group members. We must be cautious in generalizing from her findings to all local unions. It is clear that in a conflict between Title VII and seniority, the vote of the majority must give way to public law.

Significant is the conclusion that neither the number of people participating in decisions, nor the presence of factions, nor the participation of blacks and females in the leadership makes any difference for leadership responsiveness or Title VII compliance. In addition to the intervention of the international, outside interest groups and the courts were involved in achieving compliance with Title VII.

Regarding union democracy, Hoyman's results suggest that under certain conditions the international union may be the key factor to achieve a type of democracy essential for protecting minorities. Parallels may be found in wildcat strikes intended to change national agreements and corrupt local unions. And I agree with her that the concept

of union democracy is "multidimensional," as suggested by Muste and Taylor.

Anderson focused on local union activists, who were delegates to the national union convention, and participation as measures of democracy. He hypothesized that activists from democratic local unions would be more active in the convention and would see the process and outcomes as more democratic. A noteworthy finding is that the "more democratic the control structure, the less likely it is that the delegate will be active at the convention." Although generally the results show that more participative members will be more active at the convention, there is some inconsistency among the dependent variables.

Anderson's study linked local union activists with a national union convention to determine the saliency of participation. This is a broader approach to participation as one of the critical measures of union democracy. The correlations between the independent and dependent variables raise some questions about the hypothesis, but additional studies may add some light on union democracy. Anderson noted that the measures one chooses affect the impact of participation, an indication that the values of the researcher may influence critically the extent of union democracy.

In "Thinking about Democracy and Participation in Unions," the authors seek to develop a behavioral and nonnormative definition of union democracy to provide a theoretical and empirical guide to research. The authors define democracy as "rule by the governed" in terms of degree, not either/or. I note that if this definition were applied to the Hoyman data where the majority opposed compliance with EEOC, then there was no democracy since blacks and women would continue suffering discrimination. Another misgiving is that it ignores the role of public law, as well as other factors influencing union democracy.

The authors postulate a multidimensional definition, including the issues controlled by the members and the organizational level at which control is exercised over a particular issue. My apprehension here is that too many discrete boxes emerge with questionable links. Their efforts to achieve a value-free, behavioral, and quantifiable definition create further difficulties because diverse types of union-management relationships, varied local unions, and different stages of union development do not lend themselves to precise models.

I find more problems as the degree of control dimension is microsliced into numerous variables, each presumably separate, objective, and measurable. I share with the authors the notion that informal controls by members are significant in assessing union democracy. Professor Jack Barbash wrote that the manner in which the secretary in the union of-

fice treats members is an indicator of the texture of union democracy. He also wrote that democratic intentions and the will to democracy are important features of union democracy.

Studying union government is complex, as the authors of the three papers assert. But their mechanistic and positivistic approach does not impress me as the road to knowledge. It is neither possible nor desirable to develop a value-free framework. Professor Hoyman's paper reflects a more sensitive and institutional feel for the subject than do the other two. Quantitative methodology compels researchers to trivialize their descriptive variables and to force relationships among them in order to obtain data suitable for statistical manipulation. This is neither a precise nor sophisticated approach because the alleged exact (and nonnormative) research design induces imprecise, inaccurate, and incompatible descriptive statements.

Of course, leadership, participation, representation, control over decisions, the presence or absence of institutionalized factions or parties, constitutional structures and processes, external law, technology, market forces, relationships with management, functions of unions, and power influence local union democracy. How to arrange the foregoing in a useful paradigm which indicates associations and causes in a dynamic manner is the challenge.

A political theorist suggested that private, voluntary, homogeneous, single-purpose, and independent organizations are not supposed to be mini-democracies because in a pluralistic society the push-pull of all such organizations, including unions, contributes to a democratic society. This is worth considering as we think about and study union democracy.

All the papers contribute to our conceptual inventory and add to our understanding of union democracy by disconfirming some conventional wisdom. As an old supporter of impact studies, I am pleased with the authors' consideration of the actual workings of union democracy. As the late Professor Taylor repeatedly said, "pragmatism proves the doubt that theory cannot."

I would hope that our young, bright, technically skilled, and questing scholars would place their operationalizing efforts in proper perspective. There are various kinds of usable knowledge, as Professors Charles E. Lindblom and David K. Cohen recently wrote.[3] Incorporating other modes for framing questions, developing research designs, gathering and analyzing data and drawing meaningful inferences, and, above all, getting at the essence of local unions, would enhance and enlarge our understanding of local union democracy.

[3] *Usable Knowledge* (New Haven, CT and London: Yale University Press, 1979).

III. PENSIONS AND SOCIAL SECURITY

Pensions and Social Security: The Changing Relationship

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Private pension and Social Security retirement benefits accommodated easily to each other from the late 1940s until the mid-1960s. Thereafter, the relatively rapid growth in Social Security benefits altered the role of pensions in the retirement system, much to the distress of certain segments of the pension community. It not only diminished this role, but cast doubt upon its future.

The argument of the paper is that the 1977 amendments to the Social Security Act have stabilized the relationship once more, by curtailing the growth of future benefits. This stability is no mean accomplishment. If something like it is to be preserved, then policy analysts and policymakers need to focus on factors that may upset the new balance between the two retirement systems. This would be more constructive than efforts by partisans in the pension-Social Security debate to score points off one another.[1]

In order to understand what happened in 1977, it is instructive to look first to the growth of private pensions, the rise to eminence of Social Security, and to the causes that led to the 1977 amendments. The new pension-Social Security relationship will then be examined, along with the reasons for possible changes in the relationship.

The Growth of Private Pensions

The important breakthrough on the pension scene occurred in the late 1940s when unions began to demand pensions at the bargaining

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[1] As exemplified by the reaction of a distinguished pension consultant to a survey showing worker satisfaction with pensions and discontent with Social Security: "The results point to a super opportunity for the private sector . . . to grab some of the momentum and wrench it away from the government."

table. At the time, Social Security retirement benefits averaged $29 per month and replaced about 20 percent of the median wage in the year prior to retirement.[2] In view of these low benefits, unions had found an important bargaining issue. But it must have occurred to both sides (and to some nonunion employers) that income taxes now made a difference. Until World War II, most workers were below the income tax threshold. The income tax now put a new wedge between what the employer paid in wages and what the worker took home. Pensions act as a tax shelter. Initially, the tax advantage to workers may have been less obvious in pensions than in other fringe benefits. However, as Donald Cymrot has pointed out, the advantage increases with age, income, and inflation.[3]

In any event, pension coverage grew sharply in the union sector, and spilled over into the nonunion sector. In 1950, 9.8 million workers had coverage. Ten years later this figure nearly doubled to 18.7 million. Thereafter, growth stemmed more from the increased number of workers in firms with pension plans than from the inauguration of new plans. In 1975, coverage had reached 30.3 million workers.[4]

The Resurgence of Social Security

Although the low level of Social Security benefits may have caused the rise of pensions, these benefits began a dramatic upward march in 1970. Between 1970 and 1977, nominal benefits increased by 105 percent. The replacement rate for a median wage earner retiring at age 65 rose from 29.6 percent in 1969 to 44.7 percent in 1977. With a dependent spouse aged 62, the replacement rate reached 62 percent.[5] Those who also received pensions found that the Social Security benefit often was the greater of the two. Moreover, the Social Security benefit became indexed to the Consumer Price Index in 1975, a feature that was virtually absent in private pension plans.

Part of the increase in Social Security benefits was intentional, e.g., the ad hoc increases before 1975 and the indexation of benefits. However, part of the increase was the unintended by-product of a faulty benefit computation formula, enacted in 1972 and effective in 1975.

[2] Alicia H. Munnell, "The Future of the U.S. Pension System," in *Financing Social Security,* ed. Colin D. Campbell (Washington: American Enterprise Institute, 1979), p. 256.

[3] Donald J. Cymrot, "The Effect of Tax Incentives on the Rate of Return for Private Pensions" (processed, Jan. 1978).

[4] Alfred M. Skolnick, "Private Pension Plans, 1950–1974," *Social Security Bulletin* 39 (June 1976), p. 4, and Martha Remy Yohalem, "Employee Benefit Plans, 1975," *Social Security Bulletin* 40 (November 1977), pp. 20–26.

[5] Munnell, "The Future of the U.S. Pension System," pp. 255, 256.

This—the famous decoupling problem—drove future benefits upward faster than expected, and overcompensated for inflation.[6] The problem was—one hopes—corrected by the 1977 amendments.

Understandably, the pension community became nervous. As early as 1970, Robert J. Meyers sounded the warning that "expansionists" in the Social Security Administration sought to change Social Security from a floor of protection to a virtually complete replacement of preretirement income.[7] Even if we abstract from the touch of paranoia in the debate, pension planners had cause to worry. If Social Security benefits continued to increase, employers would lose interest in pensions: the payoff of lower labor turnover and better discipline would be declining relative to the cost of pensions. For that matter, trade union leaders might also lose interest in pensions if Social Security benefits crowded out the need for them. Indeed, by the mid-1970s, the labor movement no longer placed priority on Social Security benefit increases,[8] thus leaving some room for pension improvements at the bargaining table.

The impending crisis in Social Security that became apparent in the mid-1970s added a further note of uncertainty. Higher payroll taxes were in the offing. But how high? Would the employer's share rise? Which formula for decoupling would be chosen, and what would the consequences be? Within a short period, an institution long taken for granted became the object of careful scrutiny and lively debate.

The Change in Replacement Rates

The debate continues. However, if Congress does not alter the basic changes it made in 1977, some conclusions are possible regarding future benefits, and it becomes possible to speculate about the future role of pensions.

The 1977 amendments "decoupled" the benefit computation formula. Although the decoupling method was the more generous (and costlier) of the two options, it goes further than merely stabilizing the replacement rate. It *reduces* the future replacement rates.

[6] An excellent treatment of this complicated issue is found in Robert S. Kaplan, *Indexing Social Security: An Analysis of the Issues* (Washington: American Enterprise Institute, 1977). For a broader view of the issues, see the papers, comments, and discussion in Campbell, *Financing Social Security*, p. 91–169.

[7] Robert J. Myers, "The Future of Social Security: Is It in Conflict with Private Pension Plans?" *Pension and Welfare News,* January 1970, pp. 38–48. For a more complete discussion of Myers's position, see Martha Derthick, *Policymaking for Social Security* (Washington: The Brookings Institution, 1979), pp. 23–27, 31, 177–79.

[8] Bert Seidman, "Concepts of Balance Between Social Security (OASDI) and Private Pension Benefits," in *Social Security and Private Pension Plans: Competitive or Complementary?*, ed. Dan M. McGill (Homewood: Richard D. Irwin, Inc., 1977), p. 86.

In a recent study I disaggregated earners into five groups used by Peter Henle[9] in his work on retirement benefits. Earnings histories for these groups were brought forward and projected on the basis of some reasonable assumptions regarding future wage levels. This was then used to compute benefits and replacement rates in 1977 and 1987. The results are summarized in Table 1. They show a decline in replacement rates of about 10 percent for these groups retiring at 65 except for low earners.[10] If these projections are in the ballpark, Social Security benefits will no longer be crowding out pensions. Subject to the relevant economic constraints, there may even be room at the bargaining table for expanding pensions, or for efforts to compensate for inflation.

TABLE 1

Changes in Social Security Replacements Rates from 1977 to 1987

Retirement Status	Low Earnings Model	Retail	Services	Manufacturing	Construction
Worker at 65:					
Single	−2.04%	−10.16%	−11.68%	−9.67%	−10.42%
Spouse claiming					
At 65	−2.04	−10.15	−11.67	−9.69	−10.38
At 62	−2.03	−10.17	−11.66	−9.67	−10.39
Worker at 62:					
Single	−4.14	−6.56	−8.43	−4.45	−4.39
Spouse at 62	−3.47	−6.98	−8.50	−4.44	−4.52

Source: Bruno Stein, *Social Security and Pensions in Transition: Understanding the American Retirement System* (New York: Free Press, 1980). Computed from Table 4-1 and Appendix Tables 4-1 and 4-6.

The Crisis of 1977

Politically, the most visible aspect of the 1977 amendments was the increase in the payroll taxes needed to keep the Trust Funds solvent. Decoupling solved only about half of the Fund's long-term problems and little of the short-term problem caused by unanticipated levels of unemployment and inflation. Something had to be done, and Congress raised both the payroll tax rate and the wage base.[11] It should be remembered at this point that the tax rate was scheduled to rise in

[9] Peter Henle, "Recent Trends in Retirement Benefits Related to Earnings," Reprint 241 (Washington: The Brookings Institution, 1972).

[10] Employees with earnings histories at the wage base who retire in 2000 will incur a drop of 26.1 percent in the replacement rate as compared to 1979. Computed from A. Haeworth Robertson, "The Financial Status of Social Security after the Social Security Amendments of 1977" (Baltimore: Social Security Administration, processed, January 1978), p. 7.

[11] The politics of this are described in Derthick, *Policymaking*, pp. 408–410.

any event, and the wage base would have continued to rise, since it was coupled to the CPI.

What Happens to Pensions?

The higher payroll taxes, together with the costs imposed by ERISA, may engender employer resistance to increases in the compensation package. Since the tax largely pertains to retirement benefits, holding down pension costs is a candidate for holding the line on employment costs. Regardless of the actual incidence of the tax, employers will treat it as a cost increase to them, and behave accordingly.

However, adoption by Congress of H.R. 5665 would alter this situation. The Tax Restructuring Act would reduce the payroll tax to 4.5 percent on each side and substitute revenues from a Value Added Tax to finance the balance needed by the Trust Funds. The Act would also reduce corporate and personal income taxes. Lower payroll and corporate income taxes would lessen employer resistance to pension improvements. Unions would want a share of the employers' windfalls, and pension improvements—including adjustments for retired workers—might be high on their bargaining agendas.

The projected decline in the replacement rate of Social Security may generate pressures, especially from unions, to top up the shortfall. This is off in the future, however. The more immediate pressures from unions are caused by inflation, which relentlessly erodes the value of the pensions. Several unions have already demanded increases in benefits payable to pensioners. Indeed, that was a feature of the UAW-General Motors contract of 1979. It involves a trade-off between compensation to active members and retired ones, which presents some unions with a difficult internal political problem.

Perhaps the most important result of the 1977 amendments is the halt in the growth of the replacement rate. The role of pensions in the retirement package has now been defined. Social Security provides the floor of protection, at a higher level than in the 1950s and 1960s, but slightly below the level envisioned by the founders of the system.[12] Pensions play the secondary role, building on the new floor of protection. The pension part of the edifice, however, will not be as high as it might have been if the old 30 percent replacement rate had been maintained.

If only the 1977 amendments are considered, then pension planners need not worry about being crowded out. Pensions will retain an important role in the compensation package. A stabilized replacement

[12] The original proposal was for the replacement rate to stabilize at 50 percent.

rate can make it easier for employers and unions to design pension plans that deal rationally with retirement needs.

Destabilizing Factors

The above is subject to three *caveats*. First, long-term inflation, and its expectation, will destabilize the new equilibrium between pensions and Social Security, because the latter is indexed. Genuine indexation of private pensions may not be achievable under the present fragmented structure of the pension system, whereby each fund must strive for actuarial soundness.[13] Hence, either the dominant role of Social Security will be reinforced, or else we shall have to contemplate what would now be thought of as drastic alternatives. These might include such actions as government issues of indexed bonds for purchase by pension funds, the nationalization of pension funds into a gigantic pay-as-you-go system, or simply the indexation of all obligations, if that is possible.

The second *caveat* lies in a short-term actuarial imbalance that is now developing[14] because both the inflation and unemployment rates are higher than were expected when the 1977 amendments were passed. Together with political resistance to the payroll tax rate, this could, conceivably, lead to legislative changes that could alter the relationship between the two benefit systems.

The third *caveat* lies in the long-term actuarial imbalance in the Social Security Trust Funds. This will present an explosive problem early in the 21st Century, when the cohort of war babies reaches retirement age. Under the intermediate actuarial assumptions used by SSA, the OASI Trust Fund is scheduled to expire in the year 2028.[15] Undoubtedly, the crisis will come sooner. As it impends, it will make the system's current problems look like child's play. Attempts to cope with it will lead to unforeseeable changes in Social Security, and therefore in pensions.

Conclusion

Given the difficulties associated with my three caveats, the relationship between Social Security and pensions will continue to be a

[13] For a discussion of the difficulties of indexing individual pension plans, see Alicia H. Munnell, "The Impact of Inflation on Private Pensions," *New England Economic Review* (March/April 1979), pp. 18–31.

[14] *The New York Times*, August 6, 1979.

[15] "Estimated Trust Fund Ratios for the OASDI System under the Social Security Act as Amended through Public Law 95-216, Calendar Years 1977–2035" (Baltimore: Social Security Administration, Office of the Actuary, February 21, 1978), p. 21.

changing one. It would be a pity if this were to exacerbate conflict between pension planners and the Social Security system. Both retirement systems are socially useful. As former SSA Commissioner Ross has pointed out, adequate retirement benefits can only be achieved if public and private systems work together.[16]

[16] Stanford G. Ross, "Social Security: A World-Wide Issue," in *Social Security in a Changing World* (Washington: U.S. Department of Health, Education, and Welfare, HEW Publication No. [SSA] 79-11948), p. 13.

Private Pensions and Inflation*

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This paper examines the effect of inflation on private pension saving. The role that private pensions can or should play in providing income in old age in the current inflationary environment is an important policy issue. A number of studies have discussed the effect of inflation on pensions.[1] This study extends the existing analysis and presents empirical estimates. Inflation is seen to have a large negative effect on this aspect of retirement saving by workers.

In the first section, a model of the effects of inflation on private pension saving is presented. In the second section, the regression results are analyzed.

Private Pension Saving

Pension assets $PA_{t,k}$ in period t for individual k can be defined as the expected present value of accumulated future real retirement benefits:

$$(1) \qquad PA_{t,k} = \Sigma_{j=t}^{\infty} (P_{j,k}B_{j,k})/(1 + r)^{j-t}$$

where $P_{j,k}$ is the probability that on the basis of accumulated earned pension benefit rights real pension benefits $B_{j,k}$ will be received in period j. The variable r is the real interest rate. Pension savings $PS_{t,k}$ for a worker can be defined as the first difference of his pension assets (measured at year's end):

$$(2) \qquad PS_{t,k} = PA_{t,k} - PA_{t-1,k}$$

Private pension contributions are made primarily by employers rather than employees. However, if there are equalizing wage differ-

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[1] For example, Greenough and King (1976, p. 235), International Labour Office (1977), Pesando (1978), Myers (1978), and Munnell (1980).

entials, then the employee can be thought of as paying for at least part of the employer's contribution by accepting a lower wage.[2] Thus pension saving can be analyzed as an aspect of an individual's saving decisions.

Pension saving is assumed to be determined by a partial adjustment of actual to desired pension assets:

$$PS = \lambda[PA^* - PA_{-1}] \tag{3}$$

where the subscripts are suppressed for notational simplicity and the partial adjustment coefficient λ is assumed to be constant. Desired pension assets PA^* can be expressed as a linear function of permanent income YP, Social Security wealth SSW, personal marginal income tax rates MTR, and inflation π:

$$PA^* = \phi_0 + \phi_1 YP + \phi_2 SSW + \phi_3 MTR + \phi_4 \pi \tag{4}$$

Thus, the basic pension saving equation can be rewritten as:

$$PS = \lambda[\phi_0 + \phi_1 YP + \phi_2 SSW + \phi_3 MTR + \phi_4 \pi - PA_{-1}] \tag{5}$$

The expected effect of the variables in the pension saving equation (5) are now discussed. Increases in permanent income are expected to raise pension saving. The Social Security variable SSW has an ambiguous sign. Increases in Social Security wealth reduce pension saving, while increases in the earnings test tax rate presumably raise pension saving by inducing retirement and thus a need for greater retirement income. Social Security wealth can be used as a crude proxy for the effect of the earnings test because the greater is SSW, the greater is the earnings test taxed segment of the budget constraint.

The variable MTR is expected to have a positive sign. Private pension contributions by employers and the earnings on pension funds are tax exempt until they are disbursed. With this exemption, increases in marginal personal income tax rates raise the relative rate of return on pension assets by reducing the after-tax rates of return on assets not enjoying this exemption. With inflation, the effect of these tax preferences for pensions is increased since many assets not enjoying these preferences are taxed more heavily under inflation. Thus, the tax treatment of pensions may cause inflation to have a positive effect on pension saving.

Inflation affects the rate of return on the assets held by pension funds. Corporate equities and corporate bonds are the two major assets held by pension funds. Valuing inventories at historial prices creates

[2] Ehrenberg (1978) presents evidence indicating that employer pension contributions are associated with lower wages ceteris paribus.

spurious "inventory profits" for corporations because the cost of these inventories is understated. Valuing depreciation at historical cost understates the current value of that cost. The overstatement of profits by these accounting procedures raises real business income tax liabilities and lowers after-tax real rates of return on corporate equities for most nonfinancial businesses (Tideman and Tucker, 1976). Thus the tax treatment of corporate equities under inflation tends to lower the real rate of return on pension assets.

A behavioral adjustment occurs if anticipated inflation causes desired pension assets to differ from actual pension assets. As well as causing a behavioral adjustment by affecting relative after-tax rates of return, inflation may cause an automatic or nonbehavioral adjustment through capital gains or losses.

The automatic (perhaps undesired) adjustment through capital gains or losses occurs with little or no adjustment costs. The lagged adjustment model of equation (3) can be extended to incorporate this effect:

$$PS = CG + \lambda(PA^* - PA') \tag{6}$$

where

$$PA' = PA_{-1} + \delta CG \tag{7}$$

and where CG represents capital gains. The parameter δ is the fraction of capital gains or losses that is anticipated at the beginning of the period. The variable PA' thus is the amount of pension assets the individual anticipates having at the end of the period if he makes no behavioral adjustment. The individual then bases his behavioral adjustment on the difference between his desired pension assets PA^* and his anticipated pension assets if he were to do nothing PA'. If capital gains or losses were perfectly anticipated ($\delta = 1$) and if full adjustment occurred each period ($\lambda = 1$), then capital gains would have no effect on pension saving, being fully offset by behavioral changes.

There are three basic effects of inflation on pension saving in this lagged adjustment model. First, anticipated inflation may affect desired pension assets. Second, inflation (anticipated or unanticipated) may have a direct nonbehavioral effect on pension saving [the first term in equation (6)]. Third, anticipated inflation may reduce anticipated pension assets PA′ by anticipated nonbehavioral saving. This change in PA' would affect pension saving by influencing the behavioral adjustment of anticipated to desired pension assets.

Pension saving incorporating the nonbehavioral effect of capital gains can now be written:

$$(8) \quad PS = (1 - \delta\lambda)CG + \lambda(PA^* - PA_{-1})$$
$$(9) \quad = (1 - \delta\lambda)CG + \lambda[\phi_0 + \phi_1 YP + \phi_2 SSW + \phi_3 MTR + \phi_4 \pi - PA_{-1}]$$

This expression for pension saving provides the basis for the regression specification in the next section.

Regression Analysis

A least-squares regression analysis of the time-series data on private pension saving is presented. All monetary variables are measured in (thousands of) per capita dollars, and the variable descriptions and data sources are provided in the notes to Table 1.

TABLE 1
Pension Saving, 1951–74

Variable	Coefficient	Variable	Coefficient
YD	.229 (4.11)	CG	.665 (3.81)
YD_{-1}	−.061 (1.58)	MTR	.001 (.25)
SSW	−.038 (2.60)	PA_{-1}	.086 (1.29)
Π	−.002 (1.44)	C	−.261 (2.11)
$\bar{R}^2 = .84$ DW = 1.20			

Notes: t-statistics are in parentheses. $\bar{R}^2$ is adjusted for degrees of freedom. DW is Durbin-Watson statistic.

Variable definitions and data sources:

1. Pension saving, nonbehavioral pension saving: *PS*—Skolnik (1976, p. 4); *CG*—Federal Reserve System (1976, pp. 125–27). *PS* is the first difference of the per capita deflated book value of pension reserves.
2. Personal disposable income, Social Security wealth: Munnell (1980).
3. Inflation rate—calculated from implicit GNP deflator, *Statistical Abstract of the United States.*
4. Marginal tax rate: the federal marginal income tax rate paid by the median taxpayer with taxable income filing a joint return is from annual volumes, *Statistics of Income: Individual Income Tax Returns.* Marginal state and local income tax rates were computed from the *Statistical Abstract of the United States* for the years 1962, 1971, and 1974 and missing values were interpolated.

Pension saving PS is defined empirically as the first difference in pension assets measured at book value in constant dollars. Definition *PS* includes realized capital gains or losses Z and changes in real book value V. This definition is equivalent to:

$$(10) \quad PS = C + i_{PA} PA_{-1} + Z - B - E + V$$

where C is the pension contributions of employers and employees, i_{PA} is the rate of return on pension assets, B is benefit payments, and E is administrative expenses. This series is based on a standard empirical definition of pension assets.[3]

The specification of the regression presented in Table 1 follows the expression for pension saving in equation (9). Permanent income variables are current and lagged disposable income. The remaining independent variables are Social Security wealth, inflation, a measure of average personal marginal income tax rates, and capital gains or losses on pension fund assets.

The income on pension fund assets is included with capital gains since that form of pension saving occurs with substantially lower adjustment cost than does saving through changing pension contributions. Pension asset income for an individual is automatically reinvested until he retires and begins receiving benefits. The capital gains and pension asset income term is calculated from Skolnik (1976, p. 4) and includes the interest income on pension fund assets, realized capital gains, and changes in real book value less administrative expenses (which are small):

$$CG = PS - C + B = i_{PA} + Z + V - E \tag{11}$$

Capital losses dominate these data in at least some years since CG is less than or equal to zero in seven of the 24 years.

In the regression presented in Table 1, the direct effect of inflation is insignificant, while the indirect effect through capital gains and losses is significant. These results can be interpreted using the model of equation (9).

It appears that inflation does not affect pension saving through behavioral adjustment to relative after-tax rates of return. The lack of a behavioral effect may be because of a long adjustment period. Lagged pension assets are insignificant in this regression, which may indicate a low adjustment coefficient. That hypothesis is supported by Saito (1977) who estimates an adjustment coefficient for life insurance and pension assets of .094.[4]

[3] The aggregate unfunded pension liability is unknown. The annual change in this liability may affect the estimated coefficients and standard errors in pension saving regressions.

[4] Expected inflation was entered in regressions not shown. It can be argued that the behavioral response in equation (5) should be modeled as a reaction to expected rather than actual inflation. The expected inflation rate was estimated from an adaptive expectations model of price expectations truncated after five years, with varying speeds of adjustment. Expectations were projected forward to form long-run average rates for five and ten years. This measure of expected inflation was insignificant when entered instead of actual inflation to measure the behavioral effect in the regression specification shown in Table 1.

It appears that inflation does reduce pension saving through capital losses on pension fund assets. When nonbehavioral pension saving was regressed on pension assets and inflation interacted with pension assets (regression not shown), the interaction with inflation was significantly negative. This result supports the interpretation of nonbehavioral pension saving as indirectly capturing an effect of inflation on pension saving.

The results for the other variables are briefly summarized. Current disposable income is significantly positive, while lagged disposable income is insignificant. Social Security wealth is significantly negative. The marginal income tax variable is insignificant.

These results can be compared to research reported elsewhere. In Turner (1980) it was found that the negative effect of inflation was affected by the portfolio mix of assets held by pension funds. The negative effect was greater, the higher the proportion of assets held in corporate equities. Results from Turner (1980) imply that in 1974 inflation reduced pension saving by $10 billion. This figure compared with net pension saving of $-7 billion in that year.

Conclusion

The empirical evidence presented here indicates that inflation has a large negative effect on private pension saving. This negative effect is probably not due to a behavioral adjustment to changed relative rates of return. A long adjustment period may be the explanation for the apparent weakness of the behavioral response. It appears that the negative effect of inflation on pension saving is largely due to capital losses caused by inflation. The empirical work also suggests that Social Security has a negative effect on private pension saving. Some empirical evidence is presented against the widely presumed positive effect of income tax laws on the time-series of private pension saving at least over the sample period 1951–74. Inferences concerning aggregate saving cannot be drawn since these effects on pension saving may only indicate a change in the composition of saving rather than a change in aggregate saving.

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Who Pays for Pensions in the State and Local Sector: Workers or Employers?*

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Introduction

In 1974 Congress passed the Employee Retirement Income Security Act (ERISA). This complex piece of legislation, which applies only to private-sector pension plans, contains several provisions which tend to increase employers' costs of providing pensions. These include liberalized vesting rules, stringent funding requirements, and increased fiduciary responsibility and accountability. The analysis in this paper will focus on the likely effect of these provisions if they are applied to state and local government employee retirement systems. Although a public-sector variant of ERISA has yet to be passed, public employee retirement systems have recently become subject to scrutiny by various governmental bodies. Partly because of fiscal crises at the state and local level, and partly because of ERISA's passage, investigations have been launched to ascertain the need for pension reform legislation in the public sector. Whether prepared at the federal, state, or local level, the resulting reports invariably call for important reform of public-sector pensions, notably in the area of funding.[1]

As with any piece of social legislation, a public-sector variant of ERISA is likely to have costs as well as benefits, and it is reasonable to inquire what the magnitudes of these costs are likely to be.[2] Turning first to ERISA's vesting provisions, vesting provisions are currently much

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[1] See, for example, U.S. House of Representatives, Committee on Education and Labor, *Pension Task Force Report on Public Employee Retirement Systems* (Washington: 1978).

[2] See Ronald G. Ehrenberg and Robert S. Smith, "A Framework for Evaluating State and Local Government Pension Reform," in *Public Sector Labor Markets*, eds. Peter Mieszkowski and George Peterson (Washington: 1979) for a more extensive discussion of the costs of ERISA-type legislation in the private and public sectors.

more liberal in the public sector than they were in the pre-ERISA private sector; for example, only 2.4 percent of state and local government employees are in plans with no vesting. Indeed, the House Pension Task Force concluded that applying ERISA-type vesting provisions to the state and local sector would require vesting changes for only 20 percent of employees in the sector and would not prove extremely costly.[3] Our own estimates, based upon regression analyses of the effect of pension plan characteristics on normal costs (for retirement systems in Pennsylvania, the only state to publish actuarial information for its public pension plans), support this view.[4] We calculate that adoption of ERISA-type vesting requirements in the state and local sector would increase per-worker pension costs by roughly 2.5 percent; these costs would *not* be distributed uniformly across systems, but would be concentrated in those systems which initially had less generous vesting provisions.

In contrast, applying ERISA funding requirements to the state and local sector would be enormously costly because of the very poor funding practices which currently exist. The Pension Task Force estimates that 75 percent of public employers are not currently funding at the levels required by ERISA, that assets are equal to 38 percent of accrued liabilities in the typical fund, and that the average funding deficiency is about $16,000 per worker.[5] While the Pension Task Force did not estimate the increases in yearly pension costs ERISA funding provisions would require, actuarially-based data from Pennsylvania's municipal employees' retirement systems suggest that they would be substantial. Unfunded liabilities for nonuniformed employees in the typical Pennsylvania city are around $15,000 per worker—very close to the estimated national average. If cities had to make pension contributions which cover normal costs and amortize unfunded liabilities over 30 years, the average city contribution per year would have to rise by $585 per worker. This sum would increase their current contribution of $657 per worker by 89 percent!

Who Pays for Pensions in the State and Local Sectors?[6]

Given the likely magnitude of the *costs* of pension reform in the state and local sector, the next issue is how these costs will be distributed across taxpayers and various groups of public employees. This

[3] U.S. House of Representatives, pp. 88–89.

[4] See Ehrenberg and Smith, especially Appendix A, for details.

[5] U.S. House of Representatives, pp. 51, 157, 165.

[6] Due to space constraints, our discussion is necessarily brief here. See Ehrenberg and Smith for details.

requires one to first have information on how much of the added pension costs will be paid for by employees in the form of lower wages. Once the impact of pension reform costs on wages are known, increases in unit labor costs can be calculated. These calculations can then be combined with public-sector labor demand elasticities to yield estimates of employment changes and revenue needs. Because estimates of public-sector labor demand elasticities already exist, our research has focused on the extent to which pension costs are reflected in public-sector salaries.[7]

Most pension plans in the public sector are defined benefit pension plans, are quite complex, and contain numerous provisions (e.g., age and service requirements for regular retirement, vesting rules, benefit levels, employee contribution rates).[8] Fortunately, in most cases it is straightforward to calculate how changing a provision will alter the net contribution a government employer must make to an employee's pension fund account each period to keep it fully funded.[9] For example, increasing *employees'* required contribution rates will decrease the employer's net pension costs, while increasing the level of retirement benefits will increase the employer's net pension costs.

To the extent that one can control for other factors that would cause public-sector wage scales to vary across cities, higher employer net pension costs should *in theory* be associated with lower public employee wage scales. Estimation of an equation in which public employee wage scales are regressed on retirement system characteristics *and* variables that previous studies have shown influence public employee wages permits one to ascertain whether public employers actually do shift the cost of pensions on to their employees.[10]

The discussion above is couched in terms of a fully funded public-sector retirement system. The effects of underfunding on public-sector wages depend on employers' and employees' perceptions about the outcome of underfunding. The possible cases are discussed below.

Employers may regard underfunding as merely borrowing from the future—that is, creating a future liability with a present value equal

[7] See Ronald G. Ehrenberg, "The Demand for State and Local Government Employees," *American Economic Review* 63 (June 1973), pp. 363–79, for estimates of public-sector wage elasticities of demand.

[8] See U.S. House of Representatives for a more complete enumeration of these provisions and the frequency with which they occur.

[9] Burt S. Barnow and Ronald G. Ehrenberg, "The Costs of Defined Benefit Pension Plans and Firm Adjustments," *Quarterly Journal of Economics* 93 (November 1979), present examples of such calculations.

[10] See Ronald G. Ehrenberg and Gerald S. Goldstein, "A Model of Public Sector Wage Determination," *Journal of Urban Economics* 2 (February 1975), for an analysis of the other factors that affect public-sector wages.

to the amount of underfunding. With this perception they would not be willing to offer higher wages in the event of underfunding. We would thus observe no wage-underfunding trade-off.

Public-sector employers, however, may regard underfunding as cost-saving, at least to the currently elected administration. They may, for example, believe that higher levels of government will "bail-out" funds whose pensioners face nonreceipt of benefits. They may also reason that the financial crisis is 15 to 20 years in the future and therefore well past the time when they will be in office. In either case, employers regarding underfunding as cost-saving will be willing to pay higher wages if they choose to underfund. The ultimate wage-underfunding trade-off, however, depends on employee perceptions.

If employees are unaware of underfunding or believe it will have no effect on their expected pension benefits, they will essentially ignore underfunding in their choice of employers and go for the highest paying job (ceteris paribus). The highest wages, other things equal, will be paid by the biggest underfunders. Large-scale underfunders would dominate in their ability to attract employees and a Gresham's Law of pensions would exist: poorly funded retirement systems would drive out well funded ones. We would observe near-total underfunding by all public employers.

If employees are aware of underfunding and perceive it to reduce their expected benefits, they would demand higher wages to compensate for additional underfunding. Employees who require a large wage increase for a given increment of underfunding would choose to work for the better-funded employers, while those who require only a small wage increase would work for the poorest funders. We would observe both a positive wage-underfunding trade-off in the labor market and the coexistence of retirement systems in which funding practices vary widely. In fact, this is the only case where a wage-underfunding trade-off would be observed; in the other cases employers are either unwilling to make the trade-off or are clustered at some near-maximum level of underfunding.

Attempts to ascertain empirically the extent to which our theoretical predictions are borne out about the effects of public-sector retirement system characteristics and funding practices on state and local government employees' wages are limited by numerous troubling data problems.[11] Nevertheless, within the limits of available data, we have conducted three tests of whether a trade-off exists between wages and retirement system characteristics in the public sector. Details of these

[11] See Ehrenberg and Smith for a detailed discussion of these problems.

analyses are presented elsewhere, we merely summarize some of the more important findings here.[12]

Ehrenberg used data on police and firefighters in roughly 130 cities of populations of 50,000 or more, drawn from the 1973 International City Management Association survey of "Personnel Practices in Municipal Police and Fire Departments" and other sources, to test for the effects of several pension plan characteristics—minimum age and service requirements for regular retirement, percentage of salary received for regular retirement, and employees' pension contributions as a fraction of their salary—on public-sector wages. His strongest finding was that, holding promised pension benefits and other variables expected to affect wages constant, police and firefighters appear to be fully compensated in the form of higher wages, on virtually a dollar-for-dollar basis for increases in their own pension contributions. He also performed a limited analysis of the effect of underfunding on wages, finding that a set of proxy variables for the extent of underfunding was correlated with wages. Those results are suggestive of the existence of a positive association between the extent of underfunding and wages, although no quantitative estimates of the relationship were obtained.[13]

In the same paper, Ehrenberg also analyzed data from the U.S. Conference of Mayors' "Third National Survey of Employee Benefits for Full-Time Personnel of U.S. Municipalities" on 262 cities with populations of 25,000 or over to test for wage-retirement system characteristics trade-offs among fire, police, and sanitation workers. Perhaps his most important finding was that, ceteris paribus, the presence of vesting led to a 3-9 percent decrease in wages.

Finally, Smith tested the predictions of the theory on data for nonuniformed employees enrolled in Pennsylvania's city and county retirement systems. These data are the only *available* public-sector retirement system data that include actuarial calculations (in particular, calculations of the "normal cost of pension promises" and the extent of underfunding). Smith found that, ceteris paribus, increases in normal service costs reduce wages virtually dollar-for-dollar and increases

[12] Ronald G. Ehrenberg, "Retirement System Characteristics and Compensating Wage Differentials in the Public Sector," *Industrial and Labor Relations Review* (forthcoming) and Robert S. Smith, "Pensions, Underfunding, and Wages in the Public Sector" (mimeo, March 1979).

[13] The ICMA data set was the only one of the three we analyzed which contained information on collective bargaining status. Since the effect of public-sector unions on the wage–retirement system trade-off is of interest in its own right, we should note that these data indicated that, holding retirement system characteristics *and* other determinants of wages constant, police wages were some 3 to 5 percent higher and firefighter wages some 4 to 10 percent higher in cities in which wages were determined by formal union negotiations.

in the extent of underfunding increase wages, again virtually dollar-for-dollar.

Who Will Pay for Pension Reform in the Public Sector?

Our findings, summarized above, suggest we cannot rule out the possibility that the costs of pension reform legislation in the public sector will be borne completely by public employees in the form of downward pressures on their salaries. This raises the issue of who pension reform will benefit. For example, some workers may prefer higher current wages to vesting reforms, either because they plan to stay in the job until retirement or because they will quit any job before becoming vested. To require that all plans vest in 10 years, for example, would eliminate the option of working for higher-wage employers with illiberal or nonexistent vesting. Such losses, however, would be small in the aggregate because of the nearly complete level of vesting which exists currently in the public sector.

The implications of our findings for funding reform policies are probably more worthy of careful discussion because of the large costs involved. Our evidence is consistent with the hypotheses that employees are reasonably well informed of underfunding and they are fully compensated for it at the margin. One can surmise that, at the margin, they are willing to take a gamble on receiving a pension if the current wage is high enough. Mandated full funding would remove this option from their choice set and would reduce their utility.

The gamble appears attractive to employees because the chances are good that political pressure to bail-out bankrupt funds will be effective. The thought of retirees being unable to receive pension checks due to the irresponsible funding policies of some *previous* administration is politically intolerable, no matter how strong the evidence is that these retirees were previously compensated for the risk of this eventuality. Herein lies one possible justification for this reform. Rather than protecting *workers,* the reform may be most useful in protecting the *public* from having to pay for underfunding twice: once in the form of higher wages and once at the time of bail-out.

Assuming that policy-makers judge funding reform to be desirable, at least three possible policy options appear to exist. First, one might require all state and local government retirement systems to amortize their existing unfunded liabilities over a specified period of time (say 30 years) and to fully fund new liabilities. Since current and future employees will pay the cost of full funding, in the form of lower wages, requiring that all current unfunded liabilities be amortized would place

a heavy burden on younger and prospective employees. These employees would in effect be required to pay for the pensions of older employees—the very ones, if our evidence is correct, who have received wage premiums to compensate them for underfunding over the years.

Second, one might argue on equity grounds that the full funding requirements should apply only for liabilities incurred *after* the date of any new legislation. This would necessitate the creation of new funds which all current employees could be required to join. Existing underfunded pension funds might be closed down and current and future retirees paid their pro rata share of the assets. Such a scheme would have the benefit of not placing the burden of funding current unfunded liabilities on future generations of public employees; however, it would substantially reduce the well-being of current employees and retirees who belong to retirement systems with unfunded liabilities (it also is *illegal* in most states). While one might be tempted to argue that our results suggest that these individuals already have been compensated for the possibility of such an action occurring, replication of our results by other investigators is required before this option can be seriously considered.

Finally, one might require that public employee retirement systems fully fund future pension liabilities, but that existing unfunded liabilities be financed out of more general revenue sources, either at the state or federal level. Such a policy would shift the burden of current unfunded liabilities to taxpayers in general and, to the extent that unfunded liabilities vary across states and federal funding is opted for, would have distributional implications across geographic areas.

DISCUSSION

BERT SEIDMAN
AFL-CIO

I will direct my remarks mainly to Bruno Stein's paper and, if there is time, will comment very briefly on the other two papers.

I do not want to suggest that there are no problems with the Social Security system. There are problems with its financing, its benefit structure, its treatment of women, and, no doubt, other features. Certainly every effort should be made to shore up its fiscal structure and to make necessary improvements in the protections it provides for beneficiaries. Having said that, I would emphasize that the problems of Social Security pale into insignificance when compared to those of private pensions.

Because the support for Social Security is shared across the entire economy and because of its near universal coverage, it can do some things that, in Stein's very apt words, "are not achievable under the present fragmented structure of the pension system, whereby each fund must strive for actuarial soundness."

In the first place, this limits the number of firms which have pension plans at all. It may very well be that from now on, it will be harder and harder for firms which do not have plans to set them up. That is why, as Stein points out, expansion of private pension coverage is largely limited to growth of coverage of existing plans, not starting up of new ones. It is also why the idea of mandatory private pension plans sometimes suggested is probably not very practical and likely to be strongly fought by firms that have not had the financial resources to establish pension plans.

Second, the actuarial cost for even powerful industries, not to speak of fly-by-night firms, to index private pension benefits is so great that there is little prospect of this being done on any wide scale. Yet in an inflationary period, the attrition of pension payments is so large and so quick that it forces drastic cuts in living standards on recipients. At an annual inflation rate of 5 percent, a $100 benefit ten years later is worth only $61; at 6 percent it is worth only $55; at 10 percent, only $39.

My guess is that if workers begin to understand the fundamental shortcomings of private pensions and the basic strengths of Social Secur-

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ity, this will result in increasing support for strengthening Social Security because they will understand that they won't be able to meet their retirement income goals through private pensions.

With regard to Social Security, I am surprised that Stein has discovered that the decoupling formula results in a declining replacement rate (except to return to the prelegislation level). If he is right, someone has sold us a bill of goods. Certainly, we in the labor movement have insisted and will insist on at least constant replacement rates. If the present formula does not yield them, we will have to see what can be done to assure them plus whatever periodic ad hoc improvements, not necessarily across the board, we can obtain.

On the latter point, Stein has misinterpreted our position. We have by no means given up on Social Security improvements in favor of private pensions.

This may not be the appropriate occasion to discuss it, but the AFL-CIO is, of course, strongly opposed to the value-added tax contained in Congressman Ullman's Tax Restructuring Act as a way of dealing with the Social Security financing problem. There are much better ways of bolstering Social Security finances. The much-feared problem in the 21st century may not eventuate but, if it does, we have every confidence that the nation will be able to deal with it. In fact, European countries, which are ahead of us on the demographic timetable, are already doing so. One thing is sure—the American people are not going to neglect the needs of the Social Security beneficiary population, especially at a time when by dint of sheer numbers that group will have more political clout than ever before.

I will sum up my conclusions, which are slightly different from Stein's, as follows:

1. I agree with him that both Social Security and the private pension system are socially useful and that they should work together.

2. Social Security must be the fundamental base for most workers because of the inherent limitations of private pension plans.

3. This is especially true for lower-wage workers, those with the greatest need for retirement income, who can expect very little, if anything, from private pensions. Thus, Social Security replacement rates should be much higher for them than for higher-wage workers. For the latter group, there is the likelihood of at least some supplementary protection from private pensions. The social cost involved in the higher replacement rate for lower-paid workers argues for a sizable role for general revenue financing of Social Security.

4. Perhaps most important, it would be foolish to tinker with the

private pension system in a futile effort to make it a poor replication of Social Security, to try to make it do a job private pensions can't do but Social Security can. It would be far better to devote available resources to improving Social Security.

Turning to Turner's paper, I find it hard to know what he means when he says that pension saving can be analyzed as an aspect of an *individual's* saving decisions. Certainly this is not true in a collective bargaining situation where the decision is made collectively. Even in a non-negotiated plan, the individual generally has no choice as to coverage and therefore, once covered, between pension and other forms of savings.

Turner's main conclusion is: "Inflation has a large negative effect on private pension saving but this negative effect is probably not due to a behavorial adjustment to changed relative rates of return." I take this to mean that since the real return on pension investment declines in an inflationary period, this produces a decline (or at least, a negative effect on) private pension saving in the form of the assets of pension plans which determine the retirement income expectations of plan participants. Moreover, this conclusion has nothing to do with how plan participants respond to inflation.

If I understand Turner's thinking, I agree with him on these points, but I would be interested to know what he thinks their impact will be on the future of private pension plans.

The title of Ehrenberg and Smith's paper is: "Who Pays for Pensions in the State and Local Sector: Workers or Employers?" but it really deals with the question of what would be the impact of pension reform legislation on the wages of public employees.

In this connection, I should note that the authors focus on funding requirements as the main feature of pension reform legislation in the public sector, but the only legislative proposal at the federal level (PERISA) does not deal with funding. This is probably because though funding seems to be inadequate in many public employee plans, the variety of fiscal resources available for such plans makes it difficult to get agreement on appropriate minimum funding standards. Nevertheless, it is appropriate to ask the question: Who would pay for improved funding standards if they could be effected?

The empirical evidence available to the authors seems to indicate that public employees whose pension plans are underfunded are compensated by higher wages. It is easy to reach the conclusion, therefore, that if funding is improved, as the authors state, "we cannot rule out the possibility that the cost of pension reform legislation in the public sector

will be borne completely by public employees in the form of downward pressures on their salaries."

This may be a possibility in some situations but, in my opinion, extremely unlikely where there is strong union organization. There, especially if inflation keeps up, the first priority of unions will be on wages, not on funding of pension plans. If consideration is given to improved funding (the authors suggest three policy options ranging upward in cost), it would have to be done without depressing wages. A policy option would have to be chosen which would not require the workers to bear the cost in lower wages.

DISCUSSION

MICHAEL J. ROMIG
Chamber of Commerce of the U.S.

The three papers presented this morning examine three of the many critical issues now facing our nation's retirement systems. This first paper, by Bruno Stein of New York University, takes an optimistic look—a view I happen to share—at the future of private pensions vis-à-vis its relationships with Social Security.

The second paper by John Turner of the Social Security Administration presents an econometric analysis of the impact of inflation on private pension savings. The third paper by Robert Smith and Ronald Ehrenberg of Cornell University speculates upon what might be expected if ERISA-like vesting and funding requirements were imposed upon public-sector pension plans.

General Comments

The United States appears to be in the early stages of a social and economic change of enormous importance. Demographic, employment, and retirement patterns suggest numerous problems ahead in meeting the needs of the elderly who, by 2030, may constitute over 20 percent of our population.

Concerns about the adequacy of retirement income and national policies designed to encourage sound retirement savings plans take on a sense of urgency when we consider that the number of older citizens in America is increasing and that, because of increased longevity and improvements in pension programs, the number of years spent in retirement is growing. These trends will have a dramatic impact on retirement costs.

One quarter of the budget of the federal government is allocated to the elderly. Old Age Survivors and Disability Insurance, Medicare, Supplemental Security Income, Black Lung benefits, Civil Service, railroad and military retirement programs, housing subsidies, food stamps, and social and unemployment services make up the bulk of this aid to the elderly. These expenditures, large as they are, pale in comparison to

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HEW's estimates of $635 billion per year in 2025—more than 40 percent of total estimated federal government outlays.[1]

To these expenditures we can add the ever increasing outlays to private- and public-sector (nonfederal) pension plans which now average 5.6 percent of total payroll in the private sector[2] and a slightly larger amount for state and local government plans.[3]

Whether these costs can be afforded is a serious question and one that must be answered soon if people are to make adequate preparation for their retirement security.

For these reasons I am extremely pleased to note the establishment of the President's Commission on Pension Policy (Executive Order 12071, July 12, 1978). This Commission is to undertake a comprehensive review of retirement programs and develop national policies to ensure that the programs are effective, equitable, and up to the financial burdens ahead.

Similarly, it is fitting and appropriate that august groups such as the IRRA include these issues among their annual meeting agenda. For without public discussion and thoughtful debate, we will be ill-prepared as a nation to cope with these challenges.

Pensions and Social Security

Bruno Stein correctly observes that the most important—and the least publicized—feature of the 1977 amendments to the Social Security Act was the stabilization of the relationship of Social Security and private pensions. He adds that policy-makers and analysts need to focus on factors that may upset this new balance. He then goes on to point out three situations which might serve to destabilize this relationship and throw our nation's three-legged approach to retirement into disarray once again. In commenting on each, I also suggest a fourth and fifth possibility.

His *first* bogeyman is inflation, and he implies that unless pensions begin to adjust for inflation, then political pressure for an all-encompassing Social Security system may be in the offing. Certainly one cannot discount that possibility. But I suggest that Mr. Stein may have overly discounted growing public frustration of and commitment to defeating inflation. Similarly, I doubt whether the American public is willing to place their entire retirement in the hands of what both public-sector and private-sector employees view as a very shaky retirement system. Thus, while we may witness more and more cost-of-living adjustments by

[1] HEW estimate based on remarks by former HEW Secretary Joseph Califano to the American Academy of Political and Social Science, Philadelphia, April 8, 1978.

[2] *Employee Benefits, 1978* (Washington: U.S. Chamber of Commerce, 1979).

[3] *Third National Survey of Employee Benefits for Full-Time Personnel of Municipalities* (Washington: U.S. Conference of Mayors, 1977).

pensions, their failure to do this universally does not foreshadow their doom.

The *second* and *third* concerns are the prospect of legislative changes in response to the short-term and long-term financial problems facing Social Security. Supposedly, there would be reductions in Social Security benefits—an idea which in the most modest of terms is almost politically impossible as President Carter learned in 1979. The one exception, price indexing, does not now seem to be as politically popular as was the case in 1977. However, such a hidden benefit reduction as well as delayed retirement dates seem to be the most viable legislative options for meeting the long-run squeeze. Legislative options for the short run are unlikely to be of major importance since this problem is not as significant as has been painted by some.

Two situations which, in my opinion, might destabilize the Social Security–pension relationship are the push by women's groups to change materially the Social Security benefit formula and the continued reliance on automatic wage-base increases to finance cost-of-living adjustments in benefits. The former is a threat because of the fundamental changes being sought, while the latter has almost single-handedly inflamed public resistance to payroll taxes (i.e., because the few who are affected have seen phenomenal increases in recent years and are the most politically articulate in expressing their resentment).

Private Pensions and Inflation

Econometric analysis is an area that I am not qualified to evaluate and, thus, I am unwilling to comment upon the accuracy of Mr. Turner's formulae. However, it is my opinion that we must be concerned about the diminished importance of private savings in the retirement incomes of new entrants to retirement. I fear that this will become a problem of increasing magnitude. It should also be noted that pension plan participants play a relatively minor role in the decisions on pension savings. This is a function of the plan's trustees who are primarily motivated toward maximizing investment return in order to keep annual contributions to a minimum. I fear Mr. Turner may have missed this point in his analysis.

Who Pays for Pensions: Workers or Employers?

In their paper, Messrs. Smith and Ehrenberg focus on public-sector plans and hypothesize on what might occur if ERISA-like vesting and funding requirements become applicable to state and local pension plans. They conclude correctly that vesting standards will have little impact

since public pensions generally have liberal vesting requirements. On the other hand, funding standards are likely to result in heavy costs and that the most likely event is for federal taxpayers to pick up the tab. Heaven forbid!

No matter how much I dislike their conclusion, I fear that their crystal ball will prove to be very, very astute if ERISA rules are extended to these pensions. That's a very big *if*. Interest in public-sector pension reform is almost nonexistent. Whatever happened to the Zwick Commission report on military pension reform? The HEW Universal Study Commission? The Dent-Ehlenborn PERISA bill? The answer is nothing, and nothing is likely to occur in the near-term future until such time that a major public-sector pension becomes insolvent. Thus, reform will come, as the authors suggest, as a result of a public desire to protect itself from paying *twice* for pensions of public-sector employees.

Who will pay for this reform? I tend to believe that initially this will be paid by current and future workers via reduced wages largely because public-sector employers have a strong leverage in this respect. As the demographics change and public-sector unions become stronger, then I expect that general revenues will be increasingly relied upon to meet these costs.

However, my preference is that current and future retirees be looked to for help in meeting these costs. Hence, the second policy option outlined by the authors seems most equitable. Joining Social Security for those groups not now participating might be an excellent opportunity for separating past and future pension liabilities. For those already participating in Social Security, switching to an integrated plan will offer another opportunity to make this distinction. While neither step will materially reduce future costs, delaying the effective date for future retirement and capping cost-of-living adjustments appear to be equitable ways for lowering these costs.

IV. CONTRIBUTED PAPERS: BEHAVIORAL APPROACHES TO BARGAINING

Predicting Union Vote from Worker Attitudes and Perceptions*

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and
University of Montreal

A recent article in *The New York Times* signals the decrease of AFL-CIO's membership since its beginning in 1955.[1] One of the reasons cited for the decrease is the change in the mix of blue- versus white-collar workers (including professionals) and the difficulty of unionizing the latter. Another author suggests that unions are not prepared to deal with the changes of a postindustrial society and may become an "anachronism."[2] Given these changes, it seems important to improve our understanding of the unionization process, especially among traditionally nonunion groups of workers such as technicians and professionals. Obviously, management, union, and researchers alike are interested in this process and its ultimate criterion, actual vote in a representation election. The purposes of the present paper are to provide some insight into the unionization process and to partially explicate the determinants of actual vote in a representation election.

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* I would like to thank Professor Thomas A. DeCotiis, Cornell University, for his help in writing this paper.

[1] William Serrin, "Labor Facing Major Challenges As It Plans for Leadership Shift," *The New York Times*, November 15, 1979, pp. A1, A28.

[2] Robert Schrank, "Are Unions an Anachronism?" *Harvard Business Review* 57 (September-October 1979), pp. 107–15.

A Theoretical Framework

A review of the empirical literature bearing on the unionization process reveals a picture clouded by the use of 30-plus independent variables and at least four dependent variables; namely, union attitude, voting intent, actual vote, and union membership. The large number of independent variables can be reduced by classifying them into the four broadly defined categories labeled job-related variables, organizational variables, personal characteristics, and attitudes toward unions. The four commonly studied dependent variables provide a useful context against which to review the relevant literature. Table 1 organizes the literature in terms of the four dependent variables.

The independent variables shown in Table 1 may be further divided into two broad categories: (a) *objective measures* (e.g., occupation and family size) used to predict union membership, and (b) *subjective measures* (e.g., job satisfaction and perceived influence) used to predict attitudes toward unions, voting intent and voting behavior. As can be seen in Table 1, voting behavior has been studied in the context of three independent variables, (i.e., attitudes toward unions, job satisfaction, and voting intent). The review of the literature summarized in Table 1 suggests a four-component model of the unionization process: attitudes toward unions → intent to vote → actual vote → union membership. Of most concern to both management and unions is how workers are going to vote in an election. The prior components are proxies for this ultimate criterion, while the final component is a simple acknowledgement of the fact of the outcome.

The focus of the present study is on the voting behavior of a group of professional workers. Its purpose is to predict actual vote from a set of attitudinal, organizational, perceptual, and individual variables. It is argued that attitude toward unions is the key concept in the process which leads to actual vote. This variable is directly determined by the set of predictors divided into four categories. Attitude is viewed as a direct determinant of intent, and, through intent, actual vote. Furthermore, rather than speaking of a general attitude towards unions, we refer in this study to the *perceived instrumentality of a union.* Given the general orientation of American unions on "bread and butter" issues,[3] a person will vote for a union to the extent to which (s)he perceives the union to be instrumental to the satisfaction of his or her needs.

The present study tests the hypothesis that it is possible to differentiate pro- from anti-union voters with the variables previously used in

[3] Thomas A. Kochan, "How American Workers View Labor Unions," *Monthly Labor Review* 102 (April 1979), pp. 23–31.

TABLE 1

Summary of the Literature on Unionization

Author(s)	n	Sample	Dependent Variables	Significant Independent Variables	Statistical Analysis	Results		
						Correlations	Regression Weights	R^2
Alutto & Belasco (1974)	414 482	Teachers Nurses	Attitudes toward unions	Age Satisfaction with career Interpersonal trust Job tension Seniority	ANOVA Multiple Regression		—.19 —.07 —.63 —.13 —.31	.07
Blinder (1972)	2131		Union membership	Sex Age Occupation Race Family size Region of residence	Linear Probability Model			.23
Blum & Sølling (1972)	179	Female White-Collar Workers	Union membership	Age Marital status Number of dependents Hours of work Kind of industry Length of service	χ^2			
Getman et al. (1976)	1163	All	Actual vote	Attitudes toward unions Job satisfaction —Job security —Wages —Supervision —Benefits —Promotion —Recognition —Work itself	Correlations Multiple Regression	—.52[a] —.53 —.42 —.40 —.34 —.31 —.30 —.30 —.14	—.46[b] .49 —.34[b] —.23	.45

TABLE 1—(Continued)

				Demographics				
				—Wage rate		−.13		
				—Age		−.11		
				—Race		−.11		
				—Tenure		−.09		
				—Previous vote[c]		.48		
				—Intent to vote		.73		
			Intent to vote	Attitudes toward unions			.53[b] .54	.56
				Job satisfaction			−.33 −.31	
				—Age		−.11		
				—Race		−.10		
				—Tenure		−.10		
				—Wage rate		−.12		
				—Previous vote[c]		.50		
			Attitudes toward unions	Age		−.14		
				Race		−.10		
				Political preference[d]		.13		
				Tenure		−.15		
				Wage rate		−.12		.40
				Previous vote[c]		.55		.35
			Actual vote	Sign union card	Correlation	.75[f] .53		
Herman (1973)	46[e]	Retail clerks		Intent to vote	Multiple Regression	.46 .73		
				Attitudes toward unions		.47 .58	−.31 −.40	
	64	Steel-workers		Job satisfaction		.58 −.57	.48 .29	
Kochan (1978)	804	All	Intent to vote	Job satisfaction	Multiple Regression	−.30	−.13	.26
				"Bread and Butter"				
				Supervision		−.21		
				Nature of work		−.30	−.11	
				Desired influence		−.16	.10	

TABLE 1—(Continued)

Author(s)	n	Sample	Dependent Variables	Significant Independent Variables	Statistical Analysis	Results: Correlations	Results: Regression Weights	Results: R^2
				Severity of job dangers		.16	.14	
				Inadequate fringes		.21	.09	
				Pay equity perceptions		−.21	−.13	
				Race		.24	.15	
				Attitudes toward unions				
				—Big labor image		−.17	−.09	
				—Instrumentality		.33	.27	
Schriesheim (1978)	59	Blue-Collar Workers	Actual vote	Attitudes toward unions	Correlations			
				—in general		.51		
				—local union		.57		
				Job satisfaction		−.64		
				—Extrinsic		−.74		
				—Intrinsic		−.38		
				—Security		−.41		
				—Pay		−.60		
				—Working conditions		−.76		
				—Company policy		−.55		
				—Independence		−.36		
				—Achievement		−.36		
Stampolis (1958)	410	Blue-Collar Workers Non-unionized Employees	Attitudes toward unions	Wages Job security Conditions of work Overall job satisfaction Supervisor's style of leadership	Percentages of answers			

TABLE 1—(Continued)

Uphoff & Dunnette (1956)	1251	Students Union members	Attitudes toward unions	Union membership	Means	Union members are more favorable to unions than nonmembers. Curvilinear relations with age. The more educated, the less favorable to unions.	
				Age			
				Education			
Vaid (1965)	659	Textile Workers	Union membership (Why?)	Political solidarity	Percentages of answers	(21%)	
				To secure wage increases		(15%)	
				Job security			
				To get fringe benefits		(14%) (13%)	

[a] Only coefficients significant at a beyond .05 are reported.

[b] The subjects were divided into two subsamples corresponding to two "waves" of elections.

[c] This variable represents whether or not the respondent had voted for a union in a previous NLRB election.

[d] This variable is a dichotomy: 0 = democratic, 1 = nondemocratic.

[e] The study is based on two different elections, one with a group of retail clerks (n = 46) and the other with a group of steelworkers (n = 64).

[f] The coefficients in the left-hand column are from the retail-clerk sample.

Sources: Joseph A. Alutto and Joseph A. Belasco, "Determinants of Attitudinal Militancy Among Nurses and Teachers," *Industrial and Labor Relations Review* 27 (January 1974), pp. 216–27; Alan S. Blinder, "Who Join Unions?" Working Paper No. 36, Industrial Relations Section, Princeton University, February 1972; Albert A. Blum and Leif Sølling, "Who Belongs to Unions in Denmark?" *Industrial Relations Journal* 3 (Autumn 1972), pp. 49–59; Julius G. Getman, Stephen B. Goldberg, and Jeanne B. Herman, *Union Representation Elections: Law and Reality* (New York: Russell Sage Foundation, 1976), pp. 53-72; Jeanne B. Herman, "Are Situational Contingencies Limiting Job Attitude-Job Performance Relationships?" *Organizational Behavior and Human Performance* 10 (October 1973), pp. 208–24; Thomas A. Kochan, *Contemporary Views of American Workers Toward Trade Unions*, Research Report to the U.S. Department of Labor, September 1978; Chester A. Schriescheim, "Job Satisfaction, Attitude Toward Unions, and Voting in a Union Representation Election," *Journal of Applied Psychology* 63 (October 1978), pp. 548–52; Anthony Stampolis, "Employees' Attitudes Toward Unionization, Management, and Factory Conditions: A Survey Case Study," Research Paper No. 7, Bureau of Business and Economic Research, School of Business Administration, Georgia State College (Atlanta: July 1956); William H. Uphoff and Marvin D. Dunnette, "Understanding the Union Member," Bull. No. 18, Industrial Relations Center, University of Minnesota, July 1956; K. N. Vaid, "Why Workers Join Unions?" *Indian Journal of Industrial Relations* 1 (October 1965), pp. 208–30.

the literature (perceived union instrumentality, intent to vote, and job satisfaction) and other predictors falling into the following categories: job-related, organizational, and personal variables.

Methodology

The sample was composed of 95 nurses working in a metropolitan hospital who responded to an attitude survey designed to identify human resource problems. A questionnaire was administered in person on hospital time in groups of different sizes. The sample was all female and white. The next section describes only the variables used in the present study.

Actual vote[4] was a simple question (yes = 1, no = 2) answered after the election. *Intent to vote* was measured by one item on a Likert-type scale from 1 (I would vote for a union tomorrow: not at all true) to 4 (absolutely true). *Union instrumentality* was a 10-item scale. The *job-related* variables were self-reports on psychological stress (8 items), role conflict (11 items), role ambiguity (11 items), on-the-job influence (5 items), autonomy (8 items), pressure (10 items), and extrinsic job satisfaction (job security, pay, pay increase policy, benefits, promotion procedures, career opportunities, and physical conditions of work). These seven job-satisfaction measures were combined into an index of extrinsic job satisfaction. The *organizational* variables relevant to this study were: organizational commitment, centralization, communications, supervisor's leadership style, supervisor's support, and fairness of the organization. Finally, two *personal* variables were retained because of their previous use in the literature: age and education. Table 2 presents the matrix of intercorrelation among the variables.

As can be seen in Table 2, actual vote is more highly associated to union instrumentality ($r = -.67$) than to intent to vote ($r = -.47$) or extrinsic job satisfaction ($r = .38$), although all of them are significant at the .01 level. It is also worth noting the high correlation between the union instrumentality and the intent to vote of the workers ($r = .76$). A two-group discriminant analysis was performed using actual vote as the dependent variable and the 17 independent variables shown in Table 2. A step-wise discriminant procedure was used which is comparable to the more often used step-wise multiple regression techniques. They take into account the fact that some predictors might be redundant and, therefore, only retain a subset of predictors on the basis of their discriminant power.[5]

[4] All the details concerning the scales may be obtained by request to the author.

[5] William R. Klecka, "Discriminant Analysis," in *Statistical Package for the Social Sciences*, 2nd ed., ed. N. H. Nie et al. (New York: McGraw-Hill, 1975), pp. 434–67.

TABLE 2

Zero-Order Coefficients Among the Variables and Coefficient Alpha for Each Variable Measured as a Scale[a]

		α	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.	Commitment	.73																		
2.	Psycho. stress	.82	−48[c]																	
3.	Centralization	.60	−33	43																
4.	Role conflict	.74	−35	60	36															
5.	Role ambiguity	.83	15	−21	−12	−29														
6.	Lead. style	.90	42	−45	−39	−48	25													
7.	Communications	.74	53	−46	−40	−58	29	62												
8.	Influence	.70	50	−32	−52	−42	15	49	59											
9.	Autonomy	.83	47	−29	−41	−30	06	38	36	48										
10.	Pressure	.77	−34	48	32	39	−14	−32	−26	−32	−28									
11.	Support	.82	43	−50	−50	−56	09	64	52	50	48	−44								
12.	Recognition	.80	36	−26	−28	−29	12	41	32	40	33	−16	51							
13.	Fairness	.76	45	−35	−52	−40	−02	44	48	57	48	−23	64	42						
14.	Job satisfaction[b]		53	−43	−41	−46	27	52	61	61	47	−34	65	57	54					
15.	Age		53	−39	−32	−36	16	29	30	30	42	−41	47	22	38	37				
16.	Education		−14	04	13	11	−31	−05	−05	−14	07	−01	02	−07	−01	09	−18			
17.	Union instr.	.97	−42	53	42	40	−06	−25	−31	−39	−36	33	−59	−26	−51	−55	−39	−03		
18.	Intent[d]		−37	37	35	21	01	−20	−21	−24	−26	13	−44	−25	−38	−40	−29	02	76	
19.	Vote[e]		21	−24	−21	−21	14	08	15	28	14	−11	31	13	33	38	14	01	−67	−47

[a] Decimals omitted.

[b] Job satisfaction is an index of the following extrinsic aspects: pay, pay increase, career opportunity, job security, pay equity, benefits, conditions of work.

[c] Minimum r when n = 95: $p < .05 = \pm .15$; $p < .01 = \pm .21$.

[d] Two equals intend to vote union; 1 equals intent to vote nonunion.

[e] One represents the pro-union voters and 2 the anti-union voters.

Results

Table 3 shows that only four predictors entered the discriminant function of actual vote: union instrumentality, psychological stress, role ambiguity, and age. As indicated by the Chi-square test, the overall discriminant function is highly significant. The squared canonical correla- (Rho^2) can be interpreted in a manner identical to R^2 in multiple regres-

TABLE 3

Discriminant Analysis of Actual Vote Using a Stepwise Procedure (N = 95).

	Standardized Discriminant Coefficients	Change in Rao's V
Union instrumentality	1.13	55.47***
Psychological stress	.63	11.77***
Role ambiguity	.26	7.36**
Age	−.19	4.25*

*** $p \leq .001$; ** $p \leq .01$; * $p \leq .05$. $\chi^2 = 55.88$, degrees of freedom = 4, $p \leq .001$. Canonical correlation: $\rho = .68$; $\rho^2 = .46$.

sion, and represents the amount of variance in actual vote accounted for by the four predictors. As can be seen in Table 3, approximately one-half of the variance in actual vote is explained by the set of predictors. As expected, the most powerful determinant of the actual vote was perceived union instrumentality. Its overwhelming importance is represented by the relative size of the discriminant weight and the change in Rao's V which is comparable to an F-ratio in an analysis of variance. To ascertain the importance of this variable, it was decided to perform another discriminant analysis with union instrumentality as the only predictor of actual vote. The results confirmed its discriminant power; to wit, 41 percent of the variance in actual vote was accounted for by instrumentality. In other words, adding three predictors to union instrumentality resulted in a gain of only 5 percent in the variance explained.

Another purpose of our study (and a distinctive feature of the method) was to classify our respondents using the four predictors. Seventy-nine out of 95 votes (83 percent) were correctly classified as pro- and anti-union voters.

Discussion

Our objective was to understand and identify the determinants of voting behavior in a representation election. Using data collected after a union representation election in a hospital, we were able to correctly predict 83 percent of the votes, knowing only the age of the respondent, his or her job-related psychological stress, perceived role ambiguity at

work, and perception concerning the instrumentality of a union for the attainment of relevant outcomes.

These results confirm the view that workers rationally evaluate the cost and benefits when making a decision to vote for or against a union. Given the ideological orientation of unions in the United States, this finding is not surprising. It would be interesting to compare these results with similar studies done in countries where the union ideology is radically different. Vaid's study done in India[6] suggests that the results could differ. In his study, he found the response category "working class strength and political solidarity" got the first rank of reasons for joining a union.

Our results also stress the importance of the workers' perceptions of the work environment in a decision to vote for a union. Of particular importance in this study were the amount of stress and role ambiguity felt by the workers. This outcome is consistent with Alutto and Belasco's results in a study of nurses.[7] Additional weight to the importance of age is given by this study which shows that age influences not only workers' attitudes toward unions,[8] but also their actual vote.

It is also important to point out the failure of many variables to predict actual vote. Although there was a significant correlation between intent to vote and actual vote ($r = -.47$), the nurses' intentions had no effect on their voting behavior, once the four predictors were controlled for. None of the organizational variables was important in the prediction of actual vote. Among job-related variables, on-the-job influence, autonomy and, above all, extrinsic job satisfaction failed to appear in the discriminant analysis. Our explanation, relevant to the first two variables, may be that the nurses did not view the union as instrumental to the attainment of outcomes such as increased influence and autonomy on the job.

Although the study clearly shows that attitude and perceptions are powerful predictors of the results of a representation election, it raises more research questions than it answers. For example, what are the variables that will explain the remaining unexplained variance in voting behavior? Are they to be found in the worker's job context or in his or her social background as suggested by studies on union membership?

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[6] K. N. Vaid, "Why Workers Join Unions?" *Indian Journal of Industrial Relations* 1 (October 1965), pp. 208–30.

[7] Joseph A. Alutto and Joseph A. Belasco, "Determinants of Attitudinal Militancy Among Nurses and Teachers," *Industrial and Labor Relations Review* 27 (January 1974), pp. 216–27. Some additional weight to this point can be found in Marcia Millman's recent book, *The Unkindest Cut* (New York: William Morrow, 1977).

[8] Alutto and Belasco.

Another fruitful avenue for future research is to identify the determinants of union instrumentality which our study strongly suggests to be very important in the decisions of the workers to join a union.

The Bolivar Quality of Work Life Program: A Longitudinal Behavioral and Performance Assessment*

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The purpose of this paper is to stimulate discussion and promote understanding concerning various union-management issues that arise from Quality of Work Life (QWL) programs to humanize work and workplaces. The following account of the Bolivar QWL case,[1] a cooperative union-management program to improve employees' quality of work life, provides some detail on employee behavior (i.e., absences, turnover, etc.) and organizational performance outcomes. In addition, some collateral information and opinions are shown to complement the hard company-record data.[2]

The Bolivar project is a cooperative union-management organizational-change effort of Harman International Industries, Inc. (HII) and the United Automobile Workers of America (UAW). The on-site plant activities are taking place in the small rural town of Bolivar, TN. The conceptual framework[3] for the Bolivar QWL program is designed to improve organizational effectiveness and employees' quality of work life through joint ownership of the change project. The project is structured so that the parties can jointly determine and implement system-wide

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[1] K. S. Henderson, *Bolivar* (Cambridge, MA: Harvard Business School, 1977), Harvard Clearinghouse Case No. 377-123. See also M. Duckles, R. Duckles, and M. Maccoby, "The Process of Change at Bolivar," *Journal of Applied Behavioral Science* (1977), pp. 387–99.

[2] Due to space constraints, this paper cannot provide an in-depth process and outcome assessment of the six-year naturalistic field experiment at the Bolivar plant; however, an independent assessment account of these events and history as well as the goals of the experiment and other outcomes are provided in B. A. Macy, G. E. Ledford, Jr., and E. E. Lawler III, *An Assessment of the Bolivar Quality of Work Life Experiment: 1972–1979* (New York: Wiley-Interscience, forthcoming).

[3] K. Lewin, "Frontiers in Group Dynamics," *Human Relations* (1947), pp. 5–41; R. E. Walton and R. B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

change according to certain mutually agreed-upon principles. These global aims were early formulated in writing and agreed to by HII and the UAW. The explicit internal goals were:

- *Security*—The creation of conditions which give all employees who are doing their jobs freedom from the fear of losing those jobs, and creation of a system in which there are healthy working conditions with optimal financial security, based on higher productivity.
- *Equity*—Fair rules, regulations, and compensation; the end to discrimination based on age, race, and sex; and the sharing of profits based on higher work output.
- *Individuation*—The concept that each worker is to be treated as a unique human being, rather than as an interchangeable cog, with maximum opportunity for learning and for participating craftsmanship. The job should be designed, where practicable, to maximize the job-holders' control at the person's own best pace and style.
- *Democracy*—Where individuals have a say in decisions affecting them—starting with their own jobs—and in which the rights of free speech and due process are part of the industrial experience.

An unusual arrangement was made, with The Ford Foundation and the U.S. Department of Commerce, Economic Development Administration, subsidy, to document independently[4] and assess the results of the Bolivar experiment and to develop some understanding of the critical determinants of such humanization programs. One of the great unknowns in organizational-change research is how this climate for cooperative change is brought about. The following information is a summary of some results from that work to supplement various reports of the Bolivar project from other sources.

The Need for Assessment of Work Experimentation

Spurred in part by the apocalyptic visions of organizational theorists, industrial, union, and government investment in organizational intervention and quality of work life experimentation has continued to burgeon. Unfortunately, the development of assessment criteria and evaluation

[4] Assessment of the Bolivar Quality of Work Life experiment is part of an extensive research study coordinated by the Institute for Social Research (ISR), University of Michigan. The study focuses on employees' quality of work life and organizational effectiveness issues in many organizations, both union and nonunion. For the past six years, the author and colleagues at ISR and elsewhere have been conducting an independent assessment of the Bolivar project. The Bolivar book is expected to be published in 1980 as part of a new Wiley-Interscience series on "Organizational Assessment and Change."

methodology has not kept pace with this growth, creating a gap filled with impressions, intuition, incorrect reports, and unsystematic measurement.

Behavioral scientists have been most active in this movement, designing tools for stimulating and effecting organizational changes to improve both organizational effectiveness and employees' quality of work life. They have experimented with job enrichment, interpersonal training programs, participative management, and autonomous work groups in a variety of organizations,[5] but there is a paucity of well-documented assessments of these interventions.[6] Instead, there is a series of case studies characterizing the experimental technologies and their implementation, but offering only a minimal evaluation of their effects. Kahn[7] and others have noted that, as a result, there is little comparative evidence by which to evaluate the strength and generalizability of these various technologies. Moreover, practicing managers and decision-makers, unguided by systematic assessments of past experiments, remain uninformed as to the costs and benefits of various development programs when contemplating experimentation in their own organizations. Consequently, Ash[8] and many others have questioned the current enthusiasm for human resource development and quality of work life development programs.

Thus challenged, the research focused on the development and implementation of a standardized set of definitions, measures, and costing methods for the assessment of behavioral-financial outcomes. Utilizing industrial engineering, accounting work-measurement, and behavioral concepts, the Bolivar longitudinal field research (1972–79) identifies, quantifies, and assesses the cost components and actual behavioral rates of nonproductive behaviors over 55 consecutive months, or five equal phases. Specifically, one of the research objectives set out to demonstrate the usefulness of the behavioral-financial criteria and to develop

[5] See reviews in *Work in America*, U.S. Department of Health, Education, and Welfare, Report of a Special Task Force to the Secretary, 1972. See also L. E. Davis and A. B. Cherns, eds., *The Quality of Working Life* (New York: Free Press, 1975).

[6] R. A. Katzell, D. Yankelovich, and others, *Work, Productivity, and Job Satisfaction* (New York: Psychological Corporation, 1975); S. Srivastva, P. F. Salipante, and others, *Job Satisfaction and Productivity* (Cleveland: Department of Organizational Behavior, Case Western Reserve University, 1975); T. G. Cummings and E. S. Molloy, *Improving Productivity and the Quality of Work Life* (New York: Praeger, 1977).

[7] R. L. Kahn, "Organizational Development: Some Problems and Proposals," *Journal of Applied Behavioral Science* (1974), pp. 485–502.

[8] P. Ash, "Review of Work in America," *Personnel Psychology* 26 (1973), pp. 497–604.

a methodology for organizational effectiveness assessment in multiple organizations.[9]

The assessment of work organizations often focuses upon production and financial outcomes. Variables used to represent effectiveness commonly include the gross volume of goods and services produced, their cost, their quality, and the like. For managerial control purposes, however, gross measures are not sufficient for appraising the performance of organizational members or of an organization. Managers and union leaders generally hold a broader view of effectiveness, regarding absenteeism, turnover, work disruptions, and other nonproductive behaviors as important elements in assessing organizational performance. As an example, Katzell et al.[10] employ costs, productivity, product quality, and employees' absences, turnover, and attitudes in assessing efforts to improve effectiveness and the quality of work life in organizations.

Some of the outcomes from the HII-UAW Bolivar experiment are presented in the following sections.

Bolivar Behavioral and Performance Outcomes

Using the criteria developed by Macy and Mirvis, ten "hard" employee behaviors and performance variables at Bolivar were distinguished and grouped into two broad categories: (1) *Participation-Membership*—absences, leaves, turnover, and internal employment stability; and (2) *Performance On-the-Job*—productivity, product quality, grievances, accidents and illnesses, unscheduled machine downtime and repair, and material and supply overuse. An eleventh measure—employees sent home from the workplace due to lack of work (i.e., absence due to lack of work)—was used as an indicator of managerial effectiveness.

Rates of Participation-Membership and Performance On-the-Job

According to the five intervention phases of the Bolivar experiment, each composed of 11 months beginning with the baseline phase through

[9] The detailed methodology, including definitions, formulas, methods, procedures, and analysis techniques, is documented in B. A. Macy and P. H. Mirvis, "Measuring Quality of Work and Organizational Effectiveness is Behavioral-Economic Terms," *Administrative Science Quarterly* (June 1976), pp. 212–26; Macy and Mirvis, "The Rates and Costs of Behaviors in Organizations," in *Observing and Measuring Organizational Change: A Guide to Field Practice*, eds. S. Seashore, E. Lawler, et al. (New York: Wiley-Interscience, forthcoming); Mirvis and Macy, "Accounting for the Costs and Benefits of Human Resource Development Programs: An Interdisciplinary Approach," *Accounting, Organizations, and Society* (2/3 1976), pp. 179–93; Mirvis and Macy, "Evaluating Program Costs and Benefits," in *Observing and Measuring Organizational Change*, cited above.

[10] R. A. Katzell, P. Beenstock, and P. H. Faustein, *A Guide to Worker Productivity Experiments in the United States 1971–75* (New York: New York University Press, 1977).

plant-wide experimentation to coincide with the change program, the following changes were measured:

Job Security

More jobs were created, as the employment level rose 55 percent. Once the change program was under way, the cooperative union-management climate stimulated an effort to develop a joint bid on a particular product, and the company and the UAW established joint efficiency rates with the goals of both increasing employees' QWL and improving job security. Ultimately, this cooperative venture saved 70 jobs. Voluntary turnover rates declined by 72 percent, while involuntary turnover (discharges, retirements, etc.) rates decreased by 95 percent.

Healthy Working Conditions

Occupational Safety and Health Administration (OSHA) accident rates declined 60 percent, while minor accidents declined 20 percent even with the presence of many new and inexperienced employees. Rates of short-term absences due to sickness declined 16 percent. However, not all changes were favorable, as the rate of minor illnesses rose 41 percent and the rate of medical leaves increased 19 percent. (Perceptions of Bolivar employees' health appear later in this paper.)

Financial Security

The average hourly wage rate remained constant over the five phases, and the wage rates relative to area standards did not change. Of course, during this time the wage rates for the whole country did not increase relative to real wages. The fringe benefit package increased a small amount. Proposals for the introduction of a gain-sharing compensation plan (a negotiable issue) were discussed for about three years, but none was adopted during the period of study, nor since.

Job Security Founded on Organizational Performance

Output per hourly employee per day, adjusted for inflation, rose 23 percent. Two other measures of productivity, efficiency and standard performance, verify this positive change in plant performance. On the product-quality side of the financial ledger, net product reject cost rates declined 39 percent, while the rate of customer returns decreased by 47 percent. Once again, not all was positive as the rate of manufacturing supplies used rose 22 percent and the rate of machine downtime increased slightly. What is so striking about productivity and product quality at Bolivar is that both of these performance measures increased

during the same time period. Moreover, these performance measures have held these positive and significant trends for approximately three years. While some of these gains are attributable to technological and capital inputs, many of them can be attributed to the cooperative labor-management change programs.

Cost-Benefit Assessment

The cost-benefit calculations for the Bolivar project reflect the program costs and program benefits per hourly employee per phase, summed over the 55 months. They show a net discounted benefit per hourly employee to the Bolivar plant of over $3000. Of course, there are multiple reasons for this positive net savings. Nevertheless, the Bolivar plant improved its performance through a combination of positive forces, including the cooperative QWL program.

In summary, the evidence is that (1) jobs objectively became more secure; (2) productivity and product quality rose; (3) OSHA accidents decreased at a faster rate than the industry average; (4) minor accidents declined while minor illnesses rose; (5) short-term absences due to sickness declined; (6) manufacturing supplies and machine downtime increased; and (7) employee earnings held steady. Two other rates—grievances and absences due to lack of work—decreased 51 and 94 percent, respectively.

The QWL program and these positive behavioral and organizational performance gains seem to have had some practical implications for both the company and the union in their contractual process. The company's 1976 contract with the UAW was signed earlier than ever before and benefited both the company and the union membership by reducing the need for higher product inventories while maintaining the same employment level. These bargaining sessions, as contrasted to previous ones, were accomplished and concluded in an atmosphere of mutual cordiality, creativity, and trust. Absent was the win-lose philosophy and counterthreats of gamesmanship that often accompany labor-management bargaining. This is not to indicate that the adversary relationship between the UAW and HII has vanished. It has not! The union still grieves contract issues; however, the spirit (i.e., the capacity for local problem-solving) in which grievances are handled has improved.

Generally, the behavioral data (i.e., absenteeism, turnover, etc.) and performance findings are positive, while a comparison of Time 1 and Time 2 attitudinal indicators show mixed results. This surprising finding, as opposed to the generally positive behavioral and financial indicators, brings important methodological questions to mind. For example, had

only the standard method of survey methodology been utilized at Bolivar, as contrasted to multiple methods (i.e., hard company-record data, on-site structured and unstructured interviews, naturalistic observations, and surveys), the independent assessment would not have provided an accurate picture of the various changes.[11]

Employees' Quality of Work Life and Environmental Indicators

This section summarizes survey data obtained on two occasions—June-July 1973, before the introduction of the Bolivar change program, and November 1976, after its introduction—from a panel of UAW members who consented to be identified so that matching could take place.

From these systematic surveys, 13 indicators of the employees' experienced quality of work life and 24 measures of job and work environment (organizational) characteristics known to be associated with higher quality of work life were assessed. Tables 1 and 2 provide a summary of some of the attitudinal changes that were found at Bolivar. Although these data refer only to UAW members, they are fairly representative indicators of the different types of Bolivar employees surveyed.

TABLE 1

Bolivar Changes in 13 Quality of Work Life Indicators
(N = 85 Matched UAW Members)

Gains	No Change	Losses
Less alienation	Job satisfaction	More reports of physical stress symptoms
Treated in a more personal way	Job offers opportunity for personal growth	More reports of psychological stress symptoms
Job involved more use of, or higher level, skills	Working conditions	Less satisfaction with pay level
Job is more secure	Work equity Fringe benefits	Less satisfaction with pay equity

The tables show that the gains have been more than offset by losses or no change. It must be remembered, however, that over the extended period studied, some unmeasured changes occurred in Bolivar employees' level of aspirations and expectations. These changes were enhanced by the change program, and later conditions were probably judged more critically than the earlier ones. When asked a series of questions pertaining to the goals and outcomes of the program, Bolivar employee responses were generally positive about the beneficial impact

[11] A review of this type of assessment strategy and design and methods employed at Bolivar and other sites is found in Seashore, Lawler, et al., *Observing and Measuring Organizational Change: A Guide to Field Practice,* cited in fn. 9, and in Macy, Ledford, and Lawler.

TABLE 2

Bolivar Changes in 24 Work-Environment Characteristics
(N = 85 Matched UAW Members)

Gains	No Change	Losses
Supervisors more participative	Role conflict	Supervisors are less work-facilitating, supporting, and respectful
	Job variety	
More work-group participation	Supervisory closeness, favoritism, and feedback	Less satisfaction with work group
More employee influence over task-related decisions	Work-group feedback	Less association between work performance and reward received (3 indicators)
	Employee influence over work-schedule decisions	
More adequate work resources		
More work-improvement ideas provided by employees	Association between job security and intrinsic motivation with work performance	Less job feedback
	General organizational climate	
	Work-improvement suggestions	

of the QWL program, the desirability of the program, the effectiveness of the union-management relationships, and the ability of the UAW to represent membership concerns. For example, 60 percent found the QWL program to be desirable; a majority found the Quality of Work Committee (i.e., the on-site union-management committee responsible for designing and implementing the program) to be effective without domination by either party; and 67 percent found that the change program strengthened the local union. In addition, 90 percent of the union membership was satisfied (33 percent very satisfied, 57 percent somewhat satisfied) with the local union in 1976 compared to 78 percent (35 percent very satisfied, 43 percent somewhat) in 1973—figures substantially higher than the satisfaction level of a national sample of blue-collar union members with their union during this period.[12] Moreover, union membership at Bolivar has increased from 65 to above 90

[12] R. P. Quinn and G. L. Staines, *The 1977 Quality of Employment Survey* (Ann Arbor: Survey Research Center, University of Michigan, 1978). A general discussion of the entire survey results can be found in an article by Staines and Quinn, "American Workers Evaluate the Quality of their Jobs," *Monthly Labor Review* (January 1979), pp. 3–12. For a more in-depth discussion of union attitudes, see T. Kochan, "How American Workers View Labor Unions," *Monthly Labor Review* (April 1979), pp. 23–31.

percent, and 100 percent of the union members responded affirmatively when asked: "If there was an election today on whether or not the union should be kept at HII, how would you vote?"

The above union results and other outcomes not reported here[13] seem to indicate strongly that the Bolivar union members prefer to use joint union-management programs to deal with quality of work life and other important domains of their life at work. Recently, many other studies[14] have indicated these same trends and similar results with other union members. One trend seems very clear. The time is ripe for the U.S. industrial relations system to consider seriously cooperative union-management programs along with their traditional contractual and collective bargaining processes.

Discussion and Summary

The past three years have been transitional ones at the Bolivar plant. The key participants discussed the issue of third-party withdrawal, and in August 1979, the Bolivar management, with the consent of the Quality of Work Committee and the UAW, decided to discontinue the provision of the on-site third-party consulting/resource staff. Thus, after almost six full years of constant on-site professional staff support to assist with the design and implementation of the change program, HII and the UAW will attempt to be independent of professional assistance.

The heavy UAW support and involvement at Bolivar makes it a particularly important experiment. It is both a complicating and a reinforcing factor. The UAW commitment to the cooperative program will continue to encourage the management to make the program spread and be all-inclusive. This organized union pressure for change means the Bolivar QWL program will proceed faster than would a nonunion experiment.

The Quality of Work Committee continues to work but at a reduced level of activity, and it could become entirely inactive except for encouraging various educational programs in the plant. One can easily ascertain that not all the Bolivar results have been positive. As in most organizational change efforts—especially cooperative union-management attempts to improve quality of work life and organizational effectiveness—there have been both positive and negative consequences that can be attributed to the Bolivar QWL program.[15] However, it is this author's opinion that the Bolivar organization and the

[13] See Macy, Ledford, and Lawler.

[14] Citations of these numerous studies are available from the author on request.

[15] See Macy, Ledford, and Lawler.

UAW will never return to its original, pre-experimental condition, but will instead incorporate in its normal functioning the values and some of the methods of joint union-management problem-solving that have been learned.

Irving Bluestone, vice president, UAW, General Motors department, recently indicated in an interview:

> I think when evaluating this cooperative union-management program at Bolivar, you have to think within the perspective of the total program. This program has had problems attendant to it all throughout. We expected that there would be. You're really revolutionizing a system of work process to which people on both sides are unaccustomed. As you know, to bring about change is extremely difficult. There are always those who resist it. Overall, we expected some unhappiness, by reason of the program. You've got to look at this unhappiness in the total perspective—considering the total employment and the general reaction to the Quality of Work Life Program.
>
> My feeling is that—on the whole—the general reaction has been constructive. The workers do appreciate more today than they did before their own input into what goes on in the plant.
>
> I would think that under the present circumstances of a new firm [Beatrice Foods] taking over, and if they said: "As of Monday, this program is going to be stopped and we're going back to the Frederick Taylor type of work procedures," that we'd have one hell of a time at that plant.
>
> I think by and large there has been a ready acceptance of what this Program has meant in establishing a new kind of work life at the plant—that's what's important.

From the company's standpoint, some of these same benefits have developed since the QWL program began. Responding to the question, "Have labor-management relationships improved at the plant?" the HII plant personnel director said:

> Yes, very definitely. We're able to communicate and work out our problems. We have grievances, but in less numbers. We still recognize problems and we work out these problems by effective communication and trust. We've not had anything go to arbitration in about four years. The fact of learning how to communicate has been one of the greatest benefits of the program. In a labor-management relationship, both parties effectively communicate through establishing trust.
>
> It has caused a lot of us to work harder because you have to keep up with more things (i.e., has the worker obtained his or her quality and production?).

> We've worked hard at communicating with each other and working together on an effective safety program. We're getting more involvement—we're getting people being honest and sincere.
>
> In addition, I think working with people more . . . being more sensitive has changed people's perspectives. Instead of the old hard line relationship of the boss saying: "I'm the boss —you're the employee—you'll do it as I say," now a lot of that has been diminished. Foreman are asking their employees what their feelings are: What do you think about this and that? What ideas do you have to improve work? Etc.

It seems clear that in terms of improving the labor-management relationships at Bolivar, the project was a "win-win" success story. However, in terms of employees' quality of work life (i.e., mental and physical health, etc.), the project was far from successful. In addition, the positive financial gains attributed to the cooperative HII-UAW change effort have not been fully shared with all employees.

What are the public policy implications of this case study and other cooperative union-management projects? Is this kind of cooperation a wave of the future? Some believe the policy implications are great and that these cooperative projects are a part of the future industrial relations system of the United States; others do not. At any rate, the many and varied changes that have come about at the Bolivar plant present an interesting and meaningful outcome for a project whose initial goal was to improve employees' quality of work life.

Organizational Consequences of Collective Bargaining: A Study of Some Noneconomic Dimensions of Union Impact

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During the past decade there has been substantial growth in the number of formal union-management relationships in the U.S. hospital industry.[1] As in other sectors where vital human services are an important employer "product," the growth of hospital employee unionism has been a controversial development. Industry spokesmen and other observers have expressed concern over the impact of collective bargaining on the financial vitality of the industry and on the ability of the hospitals to maintain quality health-care services. The general research issue that arises, then, concerns the impact of unionization and collective bargaining on the employer as an organization and on organizational performance.

Trade unions may affect employers in numerous ways which have implications for how the employer organization performs. Strikes and other job actions provide obvious short-run examples. But the research literature also suggests that longer term changes in organizational structure and process are also important. Examples of such organizational impact are: effects on the content and execution of human resource management policy, impact on the structure of decision-making within management, and impact on the attitudes and behavior of both managers and nonsupervisory employees.[2] This paper presents some general and preliminary findings from a study intended to assess such organizational changes in unionized hospitals.[3] A number of areas of union impact will be reported on in brief, summary form, but particular attention will be given to effects on the ability of the employer to pro-

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[1] Data collected by the American Hospital Association indicate that between 1967 and 1977 the number of U.S. hospitals with at least one formal union-management agreement increased from 6.7 percent to about 25 percent.

[2] For example, see S. H. Slichter, J. J. Healy, and E. R. Livernash, *The Impact of Collective Bargaining on Management* (Washington: Brookings Institution, 1960).

[3] The study was supported by Grant No. 5 R18HS 01557–02 from the National Center for Health Services Research.

vide quality patient care, and on other organizational dimensions of impact which might reasonably be expected to influence overall performance—the role of hospital management and the attitudes and behavior of unionized, nonprofessional employees.

The findings reported here are based on hospital managers' assessments of the magnitude and direction (positive or negative) of union impact on their own organizations. Perceptual data of this kind are of considerable value because they reflect the understandings of those intimately involved in the labor-management relationships of interest. However, they also present difficulties of interpretation. In labor-management relations, where differences of values and goals between the parties can generally be assumed, varying assessments of the nature of union impact on the employer can be expected. Therefore, a second purpose of this paper is to present some preliminary results from an effort to develop an explanatory or interpretive framework for the managerial perceptions reported. The model presented hypothesizes systematic relationships among managers' perceptions of a number of dimensions of union impact.

Sample and Data Collection Methods

Data for the study were collected through administration of written survey questionnaires to managers employed in 36 unionized hospitals located in six major U.S. cities. Cities were selected to represent a variety of bargaining structures and climates. Within cities, hospitals were chosen to provide variety in terms of organizational size, ownership, pattern of employee representation, and managerial philosophy. Individual managers were selected on the basis of position (senior administrator, personnel/industrial relations officer, physician, nursing administrator, support service department head), and knowledge of the union-management relationship. In all, 292 managers participated in the survey.

The survey instrument used Likert-type response scales to obtain managers' views of the nature of the union-management relationship and the impact of unionization and collective bargaining on the hospital; 79 impact questions were included. Respondents made assessments of both the *magnitude* of union impact and its *direction* (positive or negative as seen from the perspective of the hospital). Magnitude was measured on a 5-point scale, and direction on a 3-point scale (+,0,—).[4]

[4] For a discussion of a previous use of a similar measure, see Milton Derber et al., *Labor-Management Relations in Illini City* (Champaign, IL: Institute of Labor and Industrial Relations, University of Illinois, 1954), pp. 40–41.

Descriptive Findings

Table 1 displays some of the survey results. On the basis of the aggregated results (some of which are not reported in the table for space reasons), the following generalizations are warranted:

- Economic impact (wage and benefit levels) was seen as substantial. Managers reported positive effects in terms of increased stability of employment and an improved competitive position in local labor markets. On the other hand, the overall financial standing of the hospitals was seen to have been adversely affected.
- Within management, decision- and policy-making had become more centralized, with senior administrators and personnel/industrial relations specialists assuming an expanded role. Employee relations policies were seen to have become more formal, more similar across organization subunits, and applied with greater consistency.
- Departmental managers and supervisors were seen to be spending more time in direct supervision and in attending to matters of discipline. The quality of supervision and management was felt to have improved, but the difficulty of the supervisor's job had increased. Similarly, the overall ability of management to run the hospital effectively was seen to have been diminished.
- Managers perceived the attitudinal and behavioral responses of nonsupervisory employees to have fallen along two interrelated dimensions. Managers believed that the *desirability* of the hospital *as a place of employment* had increased as reflected in both employee attitudes (morale, interest in long-term employment, interest in promotion) and behaviors (reduced turnover). However, *performance-related* changes were viewed negatively; respondents reported decreased commitment (to the mission of the hospital and to patient care as a goal) and poorer work performance (increased absenteeism, decreased willingness to perform, decreased productivity). The overall pattern in the aggregated data suggests managerial perception of an increased "instrumentalism" on the part of unionized employees.[5]
- Finally, the quality of patient care, a significant dimension of overall organizational performance, was seen to have been negatively affected, although the size of the effect is not great on average, and there is considerable disparity among respondents as to both the strength and direction of the effect.

[5] Similar results were reported by Tove Helland Hammer, "Relationships Between Local Union Characteristics and Worker Behavior and Attitudes," *Academy of Management Journal* (December 1978), pp. 560–77.

TABLE 1

Hospital Managers' Perceptions of the Strength and Direction of Union Impact for Selected Items[a]

	$\bar{X}$	Strength and Direction of Impact (%)[b]				
		Negative			Positive	
		Strong	Weak	No Impact	Weak	Strong
General Items						
Centralized Policy Making	4.04	7.7	3.5	11.6	32.0	45.2
Wage Levels (Union Employees)	3.53	24.7	8.9	2.6	16.6	47.2
Ability to Retain Employees	3.52	8.2	11.3	25.7	30.0	24.9
Overall Quality of Care	2.86	10.9	22.3	42.0	19.7	5.0
Productivity of Employees	2.80	19.9	23.5	26.3	17.5	12.7
Financial Standing of Hospital	2.65	39.8	16.6	6.2	13.3	24.1
Impact on Management						
Overall Quality of Management	3.70	5.8	5.8	27.4	35.1	25.9
Ability to Run Hospital Effectively	2.97	15.8	25.8	19.2	23.8	15.4
Authority of Supervisors	2.93	22.8	33.6	9.3	26.6	17.8
Employee Attitudes & Behavior						
Interest in Long Term Employment	3.62	5.4	9.3	28.3	32.2	24.8
Turnover	3.30	7.7	15.1	34.7	25.1	17.4
Interest in Promotion	3.28	8.2	14.0	31.1	34.6	12.1
Morale	3.12	11.5	23.0	20.3	33.0	12.3
Absenteeism	2.79	17.6	26.1	25.3	21.8	9.2
Committment to Goals of Hospital	2.75	15.6	25.9	33.8	17.1	7.6
Willingness to Perform Extra Work (n = 292)	2.40	30.3	27.3	22.1	12.7	7.6

[a] Items are scaled: 1 = Strong Negative Impact; 2 = Weak Negative Impact; 3 = No Impact; 4 = Weak Positive Impact; 5 = Strong Positive Impact.

[b] Rows may not total 100.0 percent due to rounding.

Developing an Interpretive Framework

Understanding managerial perceptions of union impact on the employer organization and that organization's performance is useful both because the attitudes and beliefs of managers can be expected to shape and inform their future behavior in the union-management relationship, and because the views of these specialists constitute a legitimate (if partial) basis for evaluation. It cannot be assumed, however, that managers' views of union impact would be the same as those of union representatives or outside, neutral investigators, or that they represent a true reading of some "objective reality." Scholars have suggested a number of ways of evaluating perceptual and attitudinal data in labor relations research.[6] One approach, the one presented here, is to search for systematic interrelationships among managerial perceptions of various impact dimensions and their association with critical features of the individual union-management relationships involved.

Numerous studies have reported an association between union power (relative bargaining power), measured both objectively and perceptually, and the attitudes and perceptions of both managers and other employees.[7] This relationship makes theoretical sense because perceptions of the consequences or effects of unionization and collective bargaining are fundamentally assessments of the specific applications of union bargaining power. If it could be assumed that management's performance goals were invariably at odds with the goals of the union, then the presence of union power (actual or perceived) should be consistently associated in a negative way with managerial perceptions of union impact. Existing studies and the data reported above, however, suggest that such a simple hypothesis is implausible.[8] The interpretive model presented in this paper makes the somewhat different assumption that it is not the mere presence or absence of union power that determines managerial perceptions of the strength and direction of the impact on organizational performance, but the way in which union power is exercised or used. That is, managerial evaluations of performance impact is seen to be not a simple function of the power balance between the parties, but of the effects of the union-management relationship on key aspects of organizational form and process.

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[6] For example, see M. Derber, W. E. Chalmers, and M. T. Edelman, "Assessing Union-Management Relationships," *Quarterly Review of Economics and Business* 1 (November 1961), pp. 27–40.

[7] See Derber et al., *Labor-Management Relations in Illini City*, and Hammer.

[8] For a brief review of early work in this area, see R. A. Katzell and Daniel Yankelovich, *Work Productivity and Job Satisfaction: An Evaluation of Policy-Based Research* (New York: The Psychological Corporation, 1975), pp. 262–87.

One recent survey suggests that managers view employee motivation and work behavior as an important determinant of organizational productivity and performance, but that they regard managerial effectiveness as a stronger contributor.[9] In labor-intensive organizations, such as hospitals, ultimate performance depends in no small part on the effective coordination of an occupationally heterogeneous work force; that is, management must work *through* the employees to achieve organizational goals. Managerial effectiveness, then, depends on control over the rewards and punishments that can influence employee behavior.

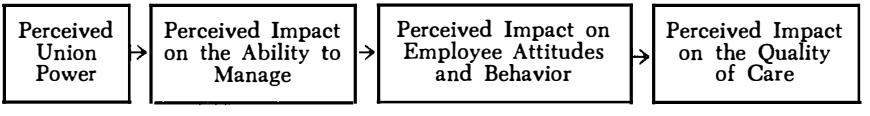
Union power is not necessarily a threat to this control, but where strong unions exercise power to constrain managerial authority and flexibility in the use of salient rewards and punishments, both employees and employers may perceive the links between management action and organizational performance to have been damaged or broken.[10] Where management perceives union power to have been exercised in a way that limits these controls, it is likely to view the impact on performance as negative.

Furthermore, managerial frustration at the felt loss of powers considered essential for the attainment of organizational goals may induce or intensify perceptions of employees as unconcerned, uncooperative, and unproductive.[11] These perceptions, too, seem likely to be associated with conclusions that organizational performance has necessarily deteriorated.

The model derived from this reasoning (presented as Figure 1.), suggests a contingent relationship between union power and managerial perceptions of union impact on organizational performance in which the perceived effect on the "ability to manage" and on employee attitudes and behaviors play a central determining role.

FIGURE 1

A Perceptual Model of Managerial Assessments of Union Impact on the Quality of Patient Care



[9] Katzell and Yankelovich, pp. 111–14.

[10] Chester A. Schriesheim, "Union-Nonunion Employee Reactions to Peer and Supervisory Leadership," working paper, 1979.

[11] See the discussion of frustration in Ross Stagner and Hjalmar Rosen, *Psychology of Union-Management Relations* (Belmont, CA: Wadsworth, 1965).

Testing the Model

The intrepretive model was tested using a series of regression equations. Scales (described in Figure 2.) were developed from the questionnaire data to operationalize each of the elements of the model. Zero-order correlations were examined as a basis for selecting variables to be retained in the regression analysis. Variables were entered into the regression hierarchically by concept group.[12] After an initial run, variables not contributing significantly to the amount of variance explained were dropped, and the regression was rerun.[13]

FIGURE 2

Construction of Variables for the Testing of the Perceptual Model

Perceived Union Power consisted of three variables. SUCCESS was a single-item variable based on respondents' answer to a global question assessing the union's overall success in negotiations. ECONOMIC PRESSURE was a three-item scale reflecting respondent perceptions of the frequency with which the union used strike threats, strikes, and slowdowns as a tactical source of power (Cronbach's alpha = .74). THIRD PARTY PRESSURE was a 5-item scale reflecting perceptions of the frequency with which the union contacted outside, third parties in an effort to influence negotiations' outcomes (Cronbach's alpha = .67).

Perceived Impact on the Ability to Manage was a three-item scale reflecting respondent perceptions of the union impact on the authority of supervisors and managers, the difficulty of the supervisor's job, and the overall ability of management to run the hospital effectively (Cronbach's alpha = .85).

Perceived Impact on Employee Attitudes and Behavior was a 4-item scale reflecting managerial perceptions of union impact on absenteeism, willingness of employees to perform, willingness of employees to assume extra duties and responsibilities, and commitment to the mission of the hospital (Cronbach's alpha = .82).

Perceived Impact on the Quality of Patient Care was measured using both a 4-item scale, and a single variable global respondent assessment of union impact. Because correlations for each of these measures with the other variables were similar, but use of the single-item measure permitted use of a larger number of cases in the final analysis, the single item was used in computations reported here.

Results of the correlation and regression analyses are presented in Table 2. The correlation results show general support for the hypothesized contingent relations among union power, the ability to manage, employee attitudes and behaviors, and the quality of patient care measure of organizational performance. There are small but statistically significant relationships between two of the power variables (both tactical) and impact on the quality of care when the other variables are not

[12] The rationale for this procedure is discussed in Jacob Cohen and Patricia Cohen, *Applied Multiple Regression/Correlation Analysis for the Behavioral Sciences* (Hillsdale, N.J.: J. Lawrence Erlbaum Associates, 1975), pp. 98–102.

[13] A number of the variables used in this analysis are similar to those used in Thomas A. Kochan, "Determinants of the Power of Boundary Units in an Interorganizational Bargaining Relation," *Administrative Science Quarterly* 20 (September 1975), pp. 441–42.

controlled for; the ability to manage and impact on employee attitudes and behavior variables are strongly correlated with the quality of care measure, and with each other.

In the regression analysis only the power variable associated with the participation of external, third parties achieves statistical significance; as a group, the power variables explain only 5.2 percent of the variance in the dependent variable. Perceived impact on the ability to manage and on employee attitudes and behaviors explains 21.5 and 13.2 percent of the variance, respectively. Overall, the results suggest that the assessments by managers in this sample concerning union impact on organizational performance were strongly tied to their views of union effects on their own roles and, projectively, on the motivations and actions of unionized workers.

TABLE 2

Zero-Order Correlation Coefficients Among Perceptions of Union Power and Perceptions of Union Impact on the Ability to Manage, Employee Attitudes, and the Quality of Patient Care

	S	*EP*	*3P*	*AM*	*EA*
Power					
Success (*S*)	—				
Economic Pressure (*EP*)	.28***	—			
3rd Party Pressure (*3P*)	.18**	.47***	—		
Ability to Manage (*AM*)	−.02	−.03	−.12	—	
Employee Attitudes (*EA*)	.02	−.08	−.15*	.50***	—
Quality of Care (*QC*)	−.12	−.18**	−.25***	.52***	.52***

Note: * = .05; ** = .01; *** = .001.

Regression analysis (n = 192)
Dependent variable = impact on quality of patient care
$R^2 = .41$ (adjusted $R^2 = .39$)
F = 25.83***

Independent Variables	Beta Weight	F
Success	−.07	1.32
Economic Pressure	−.04	0.34
3rd Party Pressure	−.10	2.31*
Ability to Manage	.23	12.50***
Employee Attitudes	.43	41.60***

Note: * = .05; ** = .01; *** = .001.

A number of cautions concerning the interpretation of the findings presented here are warranted. With respect to the descriptive findings on union impact, it should be remembered that much of the data on which the text conclusions were based was not presented due to space limitations. The items and response patterns presented here are generally representative of the overall data, but a sounder basis for inter-

pretation will be possible when the data are reported more fully in forthcoming reports.

Sample construction has implications for both the descriptive and inferential results reported. The sample concentrated on hospitals in large, urban areas and on cities with substantial unionization. The attitudes and perceptions of managers operating in this environment cannot be assumed to be readily generalizable to managers in other kinds of institutions located in other labor-management contexts.

Results of the correlation and regression analysis of the perceptual model must be regarded as preliminary. This is true both because other relationships among the variables included are theoretically feasible, and because additional control variables related to the union-management environment and individual characteristics of the actors and respondents merit inclusion. Such extensions of the analysis presented here are now being undertaken.

Finally, it may be that the results on union impact reported here are to some extent industry specific. It is possible that managers in labor-intensive, human-service organizations place greater weight on the importance of their own roles and on the attitudes and behaviors of employees as contributors to overall organizational performance than would managers in industries configured differently and with different "products."

These preliminary findings do, however, suggest that this may be a fruitful line of inquiry. If a better understanding of the determinants of managerial perceptions of union impact can be achieved, our awareness of the "objectivity" of these assessments under various conditions will be improved, as will our ability to predict linkages between attitudes, perceptions, and behavior.

Impact of Moderators on Linkage Between Bargaining Behaviors and Success in Problem Solving*

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Much of what we know—or think we know—about the dynamics of the collective bargaining process comes from anecdotal evidence based upon the experience of individual negotiators. Writers such as Chamberlain,[1] Peters,[2] Douglas,[3] and Walton and McKersie[4] have tried to piece together a more complete and general picture from these anecdoctal sources, but it is very difficult to test their views empirically. Collective bargaining is a private process and the parties have been understandably reluctant to open it up to academic observers. Many negotiators believe that successful negotiations can't take place in a "goldfish bowl." There is an understandable fear that the observer's presence will inhibit the parties, that the observer will not remain neutral as the bargaining develops, or that privileged information will leak out.

One approach to overcoming the closed nature of the collective bargaining process has been to run laboratory experiments with college students.[5] The experimental approach permits the testing of specific

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* Collection of the nationwide negotiator data was funded by a contract from the Labor-Management Services Administration, U.S. Department of Labor. The Pacific Northwest negotiator study was funded by a Summer Faculty Research grant from the University of Washington Business School.

[1] Neil Chamberlain, *The Labor Sector* (New York: McGraw-Hill, 1965).

[2] Edward Peters, *Strategy and Tactics in Labor Negotiations* (New London, Conn.: National Foremen's Institute, 1955).

[3] Ann Douglas, *Industrial Peacemaking* (New York: Columbia University Press, 1962).

[4] Richard Walton and Robert McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965).

[5] See, for instance: S. S. Komorita, "Concession-Making and Conflict Resolution," *Journal of Conflict Resolution* 17 (December 1973), pp. 745–62; William J. Bigoness, "Effects of Locus of Control and Style of Third Party Intervention Upon Bargaining Behavior," *Journal of Applied Psychology* 61 (1976), pp. 305-12; James A. Wall, Jr., "The Intergroup Bargaining of Mixed-Sex Groups," *Journal of Applied Psychology* 62 (1977), pp. 208–13.

causal relationships in isolation from other variables. Unfortunately, it is very difficult to generalize from these experiments to the field of labor negotiations, because the student negotiators are inexperienced, usually do not represent anyone, and often bargain individually rather than in teams.

Another approach has been to use data that are publicly available.[6] Such data are usually limited to background conditions such as demographics, economic factors, legal limitations, organizational structure, and history of the bargaining relationship. While such data are certainly useful, they represent only a partial set of factors influencing the outcome. The richness of the interpersonal and intergroup dynamics of bargaining is missing.

A third approach, and the one favored by the authors of this paper, is to attempt to obtain a broad sample of negotiators' perceptions on a standard set of variables. This is done through pre- and post-negotiation questionnaires so that the negotiation process is not disturbed. The greatest shortcoming of this method is that both dependent and independent variables are measured by the same means, with little or no confirmation from other sources. The method does, however, allow exploration of complex interactions such as moderator effects.

If our knowledge of the dynamics of ordinary collective bargaining is inadequate, we know even less about the conditions and/or tactics that appear to be conducive to problem-solving in labor negotiations. Walton and McKersie offer probably the best conceptual treatment of integrative (i.e. problem-solving) bargaining. Healy provides a comprehensive study of several specific integrative bargaining programs that emerged in the late 1950s and early 1960s, such as the Armour Automation Fund and the West Coast Modernization and Mechanization Agreement.[7] Only recently have researchers begun to search for general characteristics of problem-solving negotiations.[8]

[6] For example, see: Thomas A. Kochan and Hoyt N. Wheeler, "Municipal Collective Bargaining: A Model and Analysis of Bargaining Outcomes," *Industrial and Labor Relations Review* 29 (1975), pp. 90–101; Paul F. Gerhart, "Determinants of Bargaining Outcomes in Local Government Labor Negotiations," *Industrial and Labor Relations Review* 29 (April 1976), pp. 31–51; Roger L. Bowlby and William A. Schriver, "Bluffing and the 'Split-the-Difference' Theory of Wage Bargaining," *Industrial and Labor Relations Review* 31 (January 1978), pp. 161–71.

[7] James Healy, ed., *Creative Collective Bargaining* (Englewood Cliffs, N.J.: Prentice-Hall, 1965).

[8] For example, see: Richard B. Peterson and Lane Tracy, "A Behavioral Model of Problem-Solving in Labor Negotiations," *British Journal of Industrial Relations* 14 (July 1976), pp. 159–72; Lane Tracy and Richard B. Peterson, "Differences in Reactions of Union and Management Negotiators to the Problem-Solving Process," *Industrial Relations Journal* 8 (Winter 1977-1978), pp. 43–53; Thomas A. Kochan, Lee Dyer, and David B. Lipsky, *The Effectiveness of Union-Management Safety and Health Committees* (Kalamazoo, Mich.: W.E. Upjohn Institute for Employment

In an earlier study using the questionnaire survey technique, Peterson and Tracy found 21 variables significantly associated with success in problem-solving. These variables subsequently were categorized either as bargaining behavior or as conditions surrounding the negotiations, and it was hypothesized that the conditions might act as moderators of the relationships between behavior at the bargaining table and success in problem-solving, rather than as direct causes of success. Other variables which failed to show a significant direct relationship to success in problem-solving might also act as moderators. The purpose of the present paper is to test these hypothesized moderator effects.

Variables

The outcome measure used in this study is the respondents' perceptions of joint success in solving problems adversely affecting both parties. While it would have been preferable to have objective data on the outcome, the reality is that such measures are not commonly available. In any case, the perception of success is important for such processes as contract ratification and administration. Later interviews with some of the respondents provided evidence of specific problem resolutions in a number of cases.

The 11 variables designated as predictors in this study are all descriptive of bargaining procedures or behavior of the negotiators during the negotiation period. In the earlier study cited above, each of these variables was significantly related to success in problem-solving. The predictor variables are: respondent received *credit and praise from own teammates*; respondent received *credit and praise from* members of *other team*; *information* needed *for problem-solving* was *made available* to respondent; *own side* was *clear and specific* in stating issues; *other side* was *clear and specific* in stating issues; *both sides explored subjects* on an informal, noncommittal basis; *respondent* was *given freedom* to take initiative; *own side discussed causes* of problems *and feelings* about them with other side before taking a position; *other side discussed causes* of problems *and feelings* about them with respondent's side before taking a position; *own side farsighted* about future issues and working relationship; and *other side farsighted* about future issues and working relationship. In the interest of brevity only the italicized parts of each variable description will be used henceforth.

The 18 variables designated as moderators consist of (1) attitudes toward the other side, (2) political or power factors, and (3) charac-

Research, 1977); James W. Driscoll, M. Israelow, and P. McKinnon, "Cooperative Problem Solving between Union and Management: An Exploratory Study," paper presented to the Academy of Management, August 1978.

teristics of the respondent or the negotiation. Attitudes toward the other side include: *other side* seen as *cooperative* and supportive; *trust of other* team and its chief; *respect for other* side and its chief; *friendliness of other* side toward respondent and teammates; and *legitimacy of other* side's position. Political or power factors are: perceived *bargaining power* of own side; *unlikelihood of* other side causing *a work stoppage*; *respondent's power and authority* over own team; effectiveness of *own team policy and administration*; and *expected approval from constituents*. Characteristics of the respondent or the negotiation are: *respondent's affiliation*—union or management; *profession of respondent*—full-time or part-time negotiator; *respondent's level of aspiration* for the contract; *use of a mediator*; *size of management team*; *size of union team*; *number of times* respondent has *negotiated with this party*; and *level of bargaining*—craft, plant, company, or industry-wide.

It can be argued that some of the moderators are facilitators which ought to enhance the relationships between the predictors and success in problem-solving. For example, positive attitudes toward the other side should reduce suspicion and increase the effectiveness of the other side's actions toward solving problems. Likewise, feelings of power and political support should increase the negotiator's willingness to persist in problem-solving behavior even in the face of difficulties. Thus, for all of the moderators in the first two categories, it is hypothesized that higher values of the moderator will be associated with stronger direct relationships between the predictors and success in problem-solving.

The moderators in the third category are treated in an exploratory fashion without any hypotheses. It is not clear, for instance, whether the use of mediation should be expected to enhance efforts at problem-solving or should be treated as indicative of difficulties in the relationship. Similarly, many negotiations with the same party might improve communications and enhance the effectiveness of good bargaining procedures, or might lead to staleness and empty rhetoric.

Method

The data are based upon responses collected at two points in time from labor and management chief negotiators in the private sector. The first set of chief negotiators was drawn from a nationwide survey conducted in 1973–1974. The second sample collected in 1976–1977 represented negotiators located in the Pacific Northwest states. The numbers of usable responses for the two studies were 65 and 47, respectively. Management negotiators were over-represented in the first study while both sides were equally represented in the later study. In all, 112 negotiator responses were analyzed.

Each respondent was the chief negotiator for the team and was at the time involved in renegotiating the labor contract. The chief negotiator received two questionnaires. The Pre-Settlement instrument was completed during the early stage of the negotiations as a means of identifying the existing state of the relationship between the union and management at the time. Most of the moderator variables were measured by the Pre-Settlement questionnaire. The Post-Negotiation questionnaire measured behavior by both teams in the later phases of bargaining as well as perceptions of the outcome of the negotiations.[9]

A regression equation predicting success in problem-solving was set up for each predictor-moderator combination, and the interaction term (i.e., the product of the predictor and moderator scores) was then added to the equation. A significant moderator effect was shown by a significant increase in R^2 as indicated by an F-test.[10]

In testing the significance of the ten moderators for which a hypothesis had been stated, we used the .10 level of significance and accepted the moderator effect as significant only if it was in the predicted direction. For the other eight moderators, the .05 level of significance was used. The effective level of significance is .05 in both cases.

Results

Table 1 reports the significant moderators associated with the rela-

TABLE 1
Significant Moderators of the Relationships between Predictors and Success in Problem-Solving

Predictors	Significant Moderators[a]
Credit and praise from own teammates	Level of bargaining
Credit and praise from other team	Level of bargaining
Information for problem-solving made available	Profession of respondent No. of times negotiated with this party Level of bargaining
Own side clear and specific	Level of bargaining
Other side clear and specific	Own team policy and administration No. of times negotiated with this party Level of bargaining
Both sides explored subjects	None
Respondent given freedom	None
Own side discussed causes and feelings	None
Other side discussed causes and feelings	Other side cooperative Trust of other team Friendliness of other side Profession of respondent
Own side farsighted	Use of mediator
Other side farsighted	Profession of respondent

[a] Significant at the .05 level, using an F-test for significant increase in R^2 when the interaction term is added.

[9] For more detail on the questionnaire, see Peterson and Tracy, pp. 163–64.

[10] Norman H. Nie et al., *Statistical Package for the Social Sciences*, 2nd ed. (New York: McGraw-Hill, 1975), p. 320–83.

tionship between a given predictor and success in problem-solving. Looking first at the moderator variables for which a directional effect was hypothesized, there are only four significant moderator effects out of a potential 110 effects. Three of the significant effects occur in conjunction with the predictor "other side discussed causes and feelings."

If we had hypothesized moderator effects in the opposite direction, there would have been nine significant moderators. "Respondent's power and authority" would have been a significant negative moderator with four predictors, "expected approval from constituents" and "friendliness of other" each with two predictors, and "bargaining power" with one. The hypothesis about the direction of the moderator effects must be rejected.

The exploratory moderator variables fare somewhat better with 11 significant effects out of a possible 88. "Level of bargaining" is a significant moderator for five predictors. The direction of these moderator effects is negative (i.e., the predictor-success relationship is stronger at lower levels of bargaining) for "credit and praise from own teammates," "own side clear and specific," and "other side clear and specific," but positive for "credit and praise from other team" and "information for problem solving made available." The profession of the respondent (full-time negotiator or not) is significant for three predictors, but curiously the predictor-success relationships are stronger for those who are not full-time negotiators. "Number of times negotiated with this party" shows a positive moderator effect with "information for problem solving made available" and with "other side clear and specific." "Use of a mediator" has a strongly negative effect on the relationship between success in problem-solving and the farsightedness of the respondent's own side.

Four of the eight exploratory mediator variables showed no significant differences. We might add that in 61 of the 198 regression equations the moderator variable was actually the best predictor, and in 42 equations the interaction term was the best predictor.

Discussion

Several conclusions emerge from the moderator analysis. First, we find no support for the general hypothesis that a good climate of relationships between the parties or a strong economic and political position enhances the effectiveness of behavior directed toward problem-solving. In fact, there is some indication that a strong position may inhibit the effectiveness of problem-solving behavior. Perhaps problem-solving flourishes, instead, in an atmosphere of desperation.

Second, the number of significant moderator effects appears to be small. Level of bargaining, number of times negotiated with the same party, and profession of the chief negotiator are the only significant moderator variables that moderate more than one predictor-success relationship, unless we include those which were significant in the "wrong" direction (i.e., respondent's power and authority, expected approval from constituents, and friendliness of other side).

Based on the work of Walton and McKersie, the model used in both the nationwide and Pacific Northwest studies had predicted significant direct relationships between success in problem-solving *and* number of times bargained with this party and profession of the chief negotiator. We were surprised by the lack of significant findings for these variables in our earlier analysis, but there is now support for the position that bargaining experience with the other party and professional orientation play an important role as moderator rather than predictor variables.

It is particularly surprising that affiliation did not prove to be a significant moderator. Two earlier studies by Tracy and Peterson found many significant differences in the responses of union and management negotiators.[11] A more recent analysis of cases in which we have responses from both sides of the same bargaining table (not yet reported) also shows significant differences in responses between the two sides. We cannot account for the failure to find such differences in the current study.

Finally, it appears that some of the moderator variables might better be considered as additional predictor variables. Examples include bargaining power and authority of chief negotiator. This supplementary analysis, then, has provided further insight regarding the dynamics of integrative or problem-solving bargaining.

[11] Tracy and Peterson, pp. 43–53; Lane Tracy and Richard B. Peterson, "Classroom Collective Bargaining: How Close to the Real Thing," *Relations Industrielles* 30 (April 1975), p. 98–110.

DISCUSSION

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After a flurry of enthusiasm in the 1950s, behavioral studies of industrial relations have gone into a decline. It is a pleasure to see that this trend has been reversed. I would call attention to the excellent book, *Industrial Relations: A Social Psychological Approach*, edited by G. M. Stephenson and C. J. Brotherton (1979), as evidence for my view. The occurrence of this symposium is also encouraging. In 1980 the *International Review of Applied Psychology* will have a special issue devoted exclusively to psychological studies of unions or of union-management relations.

In today's papers we have seen part of the wide range of topics which can be included in the rubric, "Behavioral Approach to Collective Bargaining." Le Louarn touches on the basic problem, why do workers organize unions, anyway? Maxey gives us some information on the hostility generated in managers as the union nibbles away at unilateral decision-making power. Peterson and Tracy continue their interesting researches on the collective bargaining process itself. And Macy adds to our information on how union-management cooperation in Quality of Work Life projects can initiate a beneficial spiral in industrial relations at a specific plant. These four areas do not, of course, sample all of the behavioral problems in the collective bargaining relationship; I refer you to the Stephenson and Brotherton book for a more comprehensive listing.

In my available time I cannot go into the four papers in detail. I shall therefore make a few general comments about them, and then, taking advantage of a generous offer from our chairman, Dr. Kochan, I shall go beyond these papers to identify what I consider to be some general issues for the study of collective bargaining in various aspects.

The two key concepts which I find running through all four of these papers are, first, perception, and second, frustration. The term "perception" has become a code word for the observation that the "facts" in a bargaining situation look very different to different participants. Le

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Louarn, for example, notes that whether a worker joins a union depends on whether he sees it as instrumental to obtaining goals he desires. No one is going to be surprised about this; the difference from the traditional view may go unnoticed. Economic theory holds, with Karl Marx, that the objective conditions determine worker organization and militancy. But Le Louarn, along with dozens of others, shows that the identical objective conditions may be perceived by some workers as demanding action, and not at all by others. Similarly, Maxey finds a wide range of variation among managers in the extent to which they perceive a union as limiting their freedom to manage. Peterson and Tracy are less specific, but their findings say to me that negotiators differ in their perceptions of how the bargaining process is proceeding, and these perceptions are modified by various factors such as whether the negotiator is full-time or part-time, whether he sees the opponent as cooperative, and so on. Finally, Macy says that when union leaders and managers work together in a QWL program, they come to perceive each other differently, and issues also look different.

I can identify similarly the theme of frustration running through these papers. Frustration, of course, implies motivation; the workers in La Louarn's study would not be frustrated by certain features of the work situation if these features did not block the employee from obtaining satisfaction for certain motives. Maxey's managers would not be frustrated by union participation in decision-making if they did not have power drives and achievement motives which are at least temporarily blocked by the power of the union. In the Peterson-Tracy study, the frustration theme is less apparent, but I think we are safe in assuming that a report "the negotiations were not successful" is an operational index of at least some degree of frustration. Finally, the Macy study is significant because of the frustration which has been *removed* from the situation by the cooperative arrangements in the QWL project.

None of this is intended to say that psychology is the magic key to an understanding of all of industrial relations. My major criticism of the Stephenson and Brotherton book is that it has an introductory chapter by Kenneth Walker and a conclusion by George Strauss, both of whom chose to attack psychology as being "myopic" or having an excessively narrow view. Strauss even goes so far as to accuse me of saying that all collective bargaining was irrational and that the contributions of psychology were indispensable because the individuals who are bargaining are irrational people. Since there is no psychologist among my acquaintances who would ignore the economic-technological environment, as Walker claims, and none who would characterize union-management

negotiators as irrational, as Strauss alleges, I can only conclude that these two critics are responding to a stereotyped image of psychology having no recognizable relation to reality.

In an earlier collaboration, Peterson and Tracy did a comparative analysis of economic theory of collective bargaining and "behavioral models" of collective bargaining. They concluded that the economic approach yielded quite rigorous and specific predictions which were generally wrong, and that the behavioral analysis was considerably less specific, but by the same token less attractive, since it appeared too ambiguous. I submit, therefore, that what our field needs is better collaboration between specialists trained in the economic and the behavioral approaches.

It is true, as Strauss notes, that interdisciplinary research is tedious, costly, and often frustrating. I know, having spent eight years on it. And yet I consider the results encouraging. In the Illini City studies, which have already been cited this morning, the research team identified three major dimensions of the collective bargaining relationship. To no one's surprise, these three were economic, political, and psychological. Economic was indexed by profitability of firm and benefits to employees; political was measured operationally by union power and influence on decision-making; and psychological was defined by the term "attitudinal climate" which involved perceptions by union and management spokesmen of the degree of cooperation or hostility in the relationship. Certainly there is no suggestion in our publications that one of these is more potent than the other two dimensions. Probably, if we had been pressed, we might have concluded that the economic variables had a certain priority, in that they are less tractable, but it is clear from various lines of evidence that both workers and managers are willing to sacrifice economic gains for power gains, and even at times to express hostility. Hence all three have considerable significance for the course of collective bargaining.

I believe that the Peterson-Tracy conception of moderator variables may have real value in relating these classes of influences. For example, they note that level of bargaining is a significant moderator of some correlations. They define "level of bargaining" as craft level, plant level, company level, or industry-wide level. The data indicate that the psychological factors have less influence at the industry-wide end of this scale, and I find this entirely plausible. The negotiators are full-time professionals who are able to ignore their interpersonal attitudes to some extent; they are insulated from rank-and-file workers by several layers of bureaucracy; the bargaining is usually about economic issues in which

local grievances play little or no part; displays of anger or rigidity are likely to be bargaining tactics rather than manifestations of deeply felt emotions. I predict that a continuation of this series of investigations, with more careful definition of variables, will throw light on the nature of these interactions.

Not enough attention has been paid in many of these researches to the question: why did the worker join the union? There are two sharply different patterns: new unions where workers have usually joined because of personal frustrations and deprivations; and established unions where a union-shop clause shepherds all new employees into the union. I do not find it surprising that, in studies of the first category, unilateral allegiance is the rule (workers who are pro-union are anti-management, and vice versa); and in the second, dual allegiance is very common (those who like the employer like the union, and those who dislike one also dislike the other.) The pattern of dual disallegiance (hostility to both) is becoming a matter of great concern to many large, well-established unions.

If I may close on a hopeful note, I would remark that the advances being made in QWL programs by General Motors and the UAW, at Harman International, and at many other establishments promise that disputes will be settled with less violence and less disruption of the economic system in the future that has been true in the past. Economic conflicts of interest will undoubtedly continue as long as we have our present economic system, and probably as long as the human race survives; however, it is in our interest as residents on the planet to resolve these disputes over income and power with a minimum of destruction and a maximum of beneficial outcomes for the entire population. It seems clear to me that rapid advances in behavioral research on industrial relations will contribute materially to this beneficent outcome.

DISCUSSION

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Introduction

I see a number of themes in these four papers. All the papers are written by young members of our field—the new breed of industrial relations scholars. All the papers rely on the survey methodology that has been used increasingly by behavioral scientists. One of the papers (by Macy) also employs the measurement techniques of economics and business. Three of the reports are case studies, while the fourth collects data from across a number of bargaining situations. Finally, and this brings me to the order that I have chosen for my comments, they can be arranged into the sequence which collective bargaining follows: the organizing campaign (Le Louarn), reaction of the organization to the onset of a bargaining relationship (Maxey), activities of a mature labor-management relationship (Macy), and a comparative analysis of problem-solving (Tracy and Peterson).

"Predicting Union Vote from Worker Attitudes and Perceptions" (Le Louarn)

The major finding of this paper is that individuals who vote for a union view the union as instrumental; in other words, they hold a strong predisposition. It is not clear from the paper whether this predisposition is to unions in general (as measured by Getman and colleagues) or whether it is to the particular union conducting the organizing campaign. If it is the latter, then the finding is circular and says that people taste what they have an appetite for.

I have a problem with studies that, in effect, test out the internal consistency of beliefs leading to behavior of decision-makers. I would suggest that there is more research pay dirt in trying to understand the determinants of the predisposition. I would urge Le Louarn to run some more regressions with union instrumentality as the dependent variable and such factors as age, previous work history, and working conditions

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as the independent variables. While these hard measures may only explain 10 or 20 percent of what is going on, nevertheless, they represent "hard" relationships, rather than the circularity that is inherent in much of the research on voting behavior.

Finally, since I have been called a senior member of the field, I'd like to raise a point about the transmission of knowledge across generations. The author's citations are all from the 1970s—as if anything earlier did not exist or would be suspect for some reason. When I was cutting my teeth on research of this type, I found a book by Mark Perlman on why people join unions extremely helpful. It categorized the research, extant, into economic, psychological, social, and ideological realms. At about the same point in my career that Le Louarn finds himself now, I conducted a study of a union organizing campaign in a hospital and used discriminant analysis.[1] Some day we ought to have a session about the transmission of research knowledge across generations.

"The Arrival of the Union and Organizational Consequences" (Maxey)

Interestingly, the second study has also been conducted within the health-care industry. As I interpret the findings, the arrival of a union produced a negative impact on both ability to manage and employee motivation, but this negative impact is small. Since ability to manage and employee attitudes are the key correlates of quality of care (which is the main dependent variable or outcome), the arrival of the union does not have a strongly negative influence on the mission of the organization. The strongest relationship with *arrival of the union* is with collective-bargaining process outcomes, such as economic pressure, resort to third-party influence, and success in negotiations. The arrival of the union is also significant for employee attachment and commitment variables, all of which are reduced in the presence of a union.

This study is valuable in starting to unravel some very complex terrain. Let me ask some questions which might guide future lines of inquiry.

Have unit labor costs increased, remained the same, or decreased as a result of unionization? Clearly, wages and other forms of compensation have increased, but there is the suggestion that turnover has dropped, and it may also be possible for management to hire higher quality workers, thus offsetting higher wage costs.

Why has employee commitment as expressed through absenteeism

[1] Robert McKersie and Montague Brown, "Non-professional Hospital Workers and the Union Organizing Campaign," *Quarterly Journal of Economics* (August 1963).

and willingness to perform been lowered as a result of the union's arrival? This is a very important area that needs to be better understood.

Despite the presence of collective bargaining, why has management been able to sustain quality of care (largely a function of its ability to manage)? We need to know more about the areas of discretion open to management and how the web of rules brought by collective bargaining impinges or does not impinge upon the functional connection between managing and results.

Why has employee morale not been negatively affected, even though their commitment behaviors have moved in a negative direction? It would seem that employees have adopted rule-oriented behavior as a result of collective bargaining but have not changed their attitudes about the importance of high-quality patient care.

Finally, if the impact of a union is not very negative for the key mission of the organization, i.e., quality of care, why do managers fight so strenuously to prevent unions from organizing? There have been many stories of late about bitterly fought campaigns in hospitals. I can only begin to speculate why managers would invest so much time and energy in resisting unions when the overall impact would not seem to be terribly deleterious.

"The Bolivar Quality of Work Life Program" (Macy)

This paper whets our appetite for the book that is soon to follow. A number of very comprehensive evaluation reports on quality-of-work-life projects are beginning to accumulate. Some of the evidence has been mixed, some negative. It appears that the Bolivar experiment has been a "win-win" program, to use the organizational lexicon.

As Macy reports the state of affairs, it would appear that Bolivar is now entering upon a new phase. The marriage counselor has been asked to leave, and the partners are going back to living by themselves. I agree with Macy that the ensuing state of married life between union and management will be quite different, and that many of the lessons will be carried over. However, I would also predict that someone visiting Bolivar several years hence will find the relationship "pretty typical."

One of the interesting research questions now being pursued with respect to quality-of-work experiments has to do with the conditions that facilitate continuation. My own working hypothesis is that most organizations cannot handle the intensity that is involved in high-commitment work systems on an ongoing basis. Like marriage therapy, the whole process of experimentation, involving the presence of third parties and new patterns of interaction, can be employed for a while,

but eventually the parties desire to return to a more routinized, normalized, and institutionalized way of doing business. This perspective suggests that a type of life cycle is involved with experiments, whether we are talking about labor-management committees, Scanlon Plans, or quality-of-work projects. The half-life is probably between six and twelve years.

This leads to several interesting research questions. Why do some experiments end sooner than others? The analogy from the hard sciences of super-conductivity is useful, and we ought to be studying those forms of resistance that force the project to go out of synchronization.

Cooperative activity is a fragile commodity, and we need to know more about what causes it to flourish and what forces undermine it in the presence of a typical collective bargaining relationship. What are the behaviors that facilitate cooperation and do not undermine the adversary relationship? Can these activities take place without the presence of a third party, and what are the consequences of the departure of the third party?

Finally, and this is an issue that Walton and others have pinpointed as the Achilles heel of quality-of-work experiments, namely, how do the parties handle the distributive justice challenge that is inherent in Bolivar when it determined that the program has saved the company $3000 per employee? If we conceptualize quality of work as one way of making the pie bigger, then at some point the adversary activity of dividing up the pie into new proportions may be required, and it is at this stage that a number of quality-of-work programs have floundered.

"Bargaining Behaviors and Success in Problem-Solving" (Tracy and Peterson)

Lane Tracy and his colleague, Dick Peterson, have done considerable research work on the subject of problem-solving behavior in labor-management relations. Rather than spending my limited time on this piece of their broader study, I would like to make some more general comments on their research and on the broader subject of the type of behavioral science research on collective bargaining that might be appropriate to pursue.

Tracy and Peterson have followed the efficient strategy of collecting information via questionnaires from a large number of negotiators. They have also collected considerable systematic information about the characteristics of the institutions and the particular negotiations involved. As a result, they have added much to our understanding of the determinants and moderators of problem-solving behavior.

However, their approach inevitably is limited by their methodology. In common with all data collection that relies on self reports, there are no independent measures of the extent and quality of problem-solving behavior taking place in the different negotiations.

Working with the *extensive* findings of Tracy and Peterson, other researchers might zoom in on specific negotiations for a much more *intensive* understanding of what is taking place. Transcripts are available on a number of negotiations; mediators and other third parties often keep detailed notes on what has happened in negotiations; it should be possible to sit in on negotiations as a silent observer. The function of the case approach would be to elaborate the framework developed by Tracy and Peterson in terms of the different phases that negotiations pass through, the nature of the issues under consideration, and the structural characteristics that are integrally involved, such as pattern-setting versus pattern-following, and the history of the particular bargaining relationship.

Everyone would agree that, to the extent possible, problem-solving activities should be fostered in collective bargaining. With more knowledge of both the extensive and intensive kind, it should be possible for agencies like FMCS to mount training programs for their mediators as well as for negotiators to improve the effectiveness of collective bargaining as a result of more reliance on problem solving.

V. COLLECTIVE BARGAINING IN HIGHER EDUCATION

The Impact of Faculty Bargaining on Management's Rights

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The Problem

We initiated this research to develop an understanding of what is happening in academic collective bargaining. One quickly finds that faculty and administration rights are an endemic issue. Moreover, exploration of past history reveals that the current debate over prerogatives is not a new phenomenon. The rise of the modern university in the early 1900s spawned both the academic specialist and the professional administrator. From the beginning, these two groups asserted jurisdiction over similar rights, functions, and duties. These claims soon became the basis for lively disputes. When collective bargaining finally was initiated in the mid-1960s, the faculty association's demand for language concerning its members' rights was new, but the underlying conflict had a long history.

With the advent of academic bargaining, the parties faced the task of negotiating terms governing faculty and administration decision-making jurisdictions. Formerly, if both parties claimed a certain right, each one could take satisfaction in regarding itself as the legitimate owner. However, the written agreement inevitably changes this situation. Contracts spell out and assign rights. Would faculty and administration attempt to place their traditional rights in the agreement? If

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so, which ones would be emphasized? Would faculty members trade some of their cherished prerogatives for other benefits? What kinds of variables would be associated with stronger or weaker faculty and administration voice?

Research Design

Although there is a voluminous body of literature predicting the consequences of academic bargaining, few studies involve an in-depth examination of the actual agreements. Instead, many are based on attitude surveys which often do not serve to predict subsequent events. While contract language also may lack connection with reality, it does represent the agreement created by the parties. In a dispute, the wording is the bottom line and of critical importance in the determinations of arbitrators, judges, and labor boards.

To make what we felt was a needed contribution, we selected a research strategy which would produce concrete data and permit systematic analysis. We used as our basic data source 63 agreements of four-year and 142 of two-year institutions, which constituted the total available population.[1] At the end of 1979, there were about 100 four-year and 200 two-year contracts, and we are in the process of analyzing this group.

We chose for investigation seven crucial issues which are located at the center of power struggles in organized schools: management rights; two administrative issues (long-range planning and retrenchment); and four personnel issues (appointment, promotion, nonrenewal, and tenure).

To measure the contractually-specified voice of faculty and administration in these areas, we devised a complex system for scaling the agreements with regard to extent of assertion of faculty rights and extent of assertion of administration rights. Every agreement was completely read and analyzed and then coded for each issue on the basis of a five-point scale. The assigned number represented our assessment of a party's voice, with a "5" indicating very strong voice and a "1" signifying little or none.

We also wanted to explain the results produced by this analysis, e.g., why was faculty association voice strong in some cases and not in others? In order to answer such questions, we tested our extent of assertion of faculty and administration rights measures against a num-

[1] The authors wish to thank the National Center for the Study of Collective Bargaining in Higher Education at Baruch College, City University of New York, for the use of its files which contain the most complete collection of faculty contracts in the country. In defining the units for analysis, multicampus units were handled as a single case. However, if the multicampus unit contained both four-year and two-year campuses, it was treated as a single member of each category.

ber of demographic and institutional variables: size (faculty; student body), region (East, Midwest, Central, West), affiliation (public or private), bargaining agent (American Association of University Professors (AAUP), American Federation of Teachers (AFT), National Education Association (NEA), Independents, and Mergers), and for the four-year sector, institutional type (research, doctoral, comprehensive, liberal arts, and specialized).[2] The latter classification system provided us with a rough measure of institutional prestige.[3] Data for the two-year and four-year sectors were analyzed separately.[4]

The above are all factors which have been associated in the literature and in the minds of participants with certain potential results in terms of bargaining outcomes and treatment of rights issues. For instance, the four-year schools are regarded as being different from the two-year. In the two-year sector the administration traditionally has been the dominant force, while many four-year faculties possess a substantial bundle of rights as managers even in the absence of collective bargaining. In the same vein, certain bargaining agents are thought to be more aggressive than others in pursuing rights issues. Faculties in eastern schools or in public institutions often are described as more "rights-conscious" than those in other sections of the country in private institutions.

An interview survey supplemented the contract analysis, but the basic contribution is the body of findings emerging from the scaling and analysis of such a large group of agreements.

The Findings

Extent of Faculty Assertion of Rights

Apparently, in these early stages of academic bargaining, many faculty associations were using the process as a means for incorporating existing governance mechanisms into the contract. This is illustrated by the attempt to specify traditional scholarly controls over appointment, promotion, nonrenewal, and tenure. Overall, our analysis revealed rather moderate contractually-specified "inroads" into decision-making in the two administrative and four personnel areas. In the four-year sector, the average score was 3 and in the two-year, 2.5, figures which suggest

[2] The NEA had 85 agreements; the AFT, 48; the AAUP, 26; independents, 24; and mergers, 22.

[3] These institutional types were drawn from the well-known Carnegie Commission system of classification.

[4] A regression analysis and zero-order correlation coefficients were used to analyze the data.

at most consultation rights with the final decision resting with the administration.

Extent of Administration Assertion of Rights

Administrators appeared to be joining faculty members in placing their traditional bundle of rights in the agreement. Management rights clauses were commonplace. They appeared in 92 percent of the four-year agreements and 85 percent of the two-year. Analysis of the data revealed results similar to those for the faculty. The scaled means for the management-rights clause were 3.1 for the four-year agreements and 2.8 for the two-year. Eighteen percent of both the four-year and two-year contracts contained very strong management-rights provisions which were assigned a code of 5.

Patterns of Faculty Voice

Going beyond the overall scores, our data revealed some interesting differences concerning contractual penetration in the various areas.

Administration

Voice in the two administrative areas, long-range planning and retrenchment, was generally weak, with the four-year means 2.3 and 2.7, respectively, and the two-year means 2.0 and 2.5. Still, long-range planning was mentioned widely. Sixty-five percent of the contracts contained some language, most of it providing for rights to be informed (code 2) or consulted (code 3). Clearly, a beach-head had been established.

Possibly because the second administrative issue, retrenchment, has a direct effect on faculty employment, it appeared in a somewhat larger proportion of the agreements, 72 percent. There seemed to be an active two-year push on this matter. Three agreements accorded very strong faculty voice. Considering the traditional lack of two-year faculty influence in administrative decisions, the clauses concerning retrenchment may represent a significant change.

Personnel

Faculty members, especially those in four-year colleges, have a long tradition of rights in the personnel area. One would anticipate contractual affirmation of faculty rights greater than that for the two administrative decisions, and this was the case. For the four-year agreements, the proportions providing for very strong faculty voice were: tenure, 37 percent; promotion, 27 percent; appointment, 18 percent; and nonrenewal, 11 percent. The two-year proportions were considerably

smaller, 13 percent for promotion and about 8 percent for the other three areas.

Four-year faculties attained their largest voice with regard to tenure, which earned 3.5, the highest mean score for any area. By way of contrast, the two-year sector was weakest in this area, with a mean score of 2.4. Promotion ranked second in the four-year schools, with 3.4, and it also registered the strongest of the considerably smaller two-year gains, scoring 2.8.

In general, faculty associations appeared to emphasize and to be best able to control personnel decisions concerning advancement on the job. The administration retained more fully its rights to make appointment and nonrenewal decisions for which the four-year sector scored 3.0 and 3.1, respectively, and the two-year, 2.5 and 2.6.

There was no evidence that faculty associations were trading off one right in the six administrative and personnel areas for another. Our data analysis indicated, at a highly significant level, that when an association attained strong rights guarantees, it won them across the board. Conversely, a faculty group that lacked strong rights in one area was quite certain to be uniformly weak.

Relationship between Extent of Rights Assertion and Institutional and Demographic Variables

Size

Size proved to be the best explanatory variable, especially in the two-year sector where it was significantly and positively related to extent of faculty voice in long-range planning, promotion, appointment, and tenure. Sheer numbers apparently contributed to the gaining of rights this sector generally lacked. A similar relationship applied only to appointment decisions in the four-year sector. This was the weakest of the four personnel areas in this sector, and again, sheer numbers seemed to make a difference.

Interestingly, size was significantly and inversely related to strength of assertion of management rights in both sectors. In smaller schools, faculties probably were more ready to accept such language, and administrators were more eager to seek it, perhaps because they viewed collective bargaining as a personal threat.

Region

Region ranked second in importance. It was strongly associated with performance in the four-year sector regarding faculty voice in appointment, nonrenewal and tenure, but in two-year schools, only with voice

in promotion decisions. The East, which had 52 percent of all bargaining relations, was clearly in the lead in assertion of faculty rights. The Midwest, which ranked second with 31 percent, had more modest achievements in faculty voice and the strongest assertion of management rights.

Both regions were well matched with regard to distribution of size of institution. However, the East had 68 percent of the more assertive organized four-year sector, as contrasted to only 19 percent for the Midwest. Seventy-five percent of all organized private schools also were in the East.

The two regions had rather similar proportions of the total two-year bargaining sector, 44 percent for the East and 36 percent for the Midwest. However, even in this case, the two-year schools in the Midwest ranked well below those in the East in assertion of faculty voice.

Affiliation

Affiliation was related less clearly to administration and faculty assertion of rights. The public sector, which certainly was stronger in terms of numbers organized (169 to 36), did not significantly exceed the largely eastern-based private sector in terms of rights assertion. In fact, there was some reverse evidence. In the four-year sector, for which the contracts were evenly divided between public and private institutions, the private had significantly greater voice in the retrenchment decision. The two-year sector is comprised almost entirely of public schools, but the tiny group of five private institutions, all on the East coast, scored remarkably high in assertion of both faculty and administration rights.

Institutional Type

There is a great deal of interest in institutional type as an explanatory variable in the four-year sector. Most striking was the highly significant relationship between institutional type and assertion of management rights. Very strong language was found in the comprehensive universities and the specialized schools, which often are said to deviate most from the collegial model for academic relationships. On the other hand, management-rights statements were quite weak in the research, doctoral, and liberal arts schools, commonly regarded as the heartland of collegiality.

In the administrative areas, agreements in the less prestigious comprehensive universities provided the strongest faculty voice, possibly a reflection of professorial concern about the future in these upwardly mobile but often insecure institutions. In general, both comprehensive

universities and specialized schools had greater strength in the personnel areas than did the members of the other three categories. However, research, doctoral, and liberal arts faculties asserted strong voice in one area, the tenure process, which in many ways is the core decision area for members of the academic craft.

The Agents

All of the academic bargaining agents claim to be the most effective for every faculty they represent. While our data did not reveal any truly marked differences among them, we did uncover some variation.

In the four-year sector, agreements negotiated by the AFT and mergers contained the strongest faculty rights guarantees. Contracts of the NEA, AAUP, and independents had weaker provisions. In the two-year sector, stronger rights clauses were found in the agreements of the AAUP and mergers, followed in order by the AFT, independents, and the NEA. The fact that an agent was concentrated in a particular sector did not assure strong assertion of faculty rights, e.g., 80 percent of NEA agreements are in the two-year schools and 88 percent of the AAUP in the four-year.

NEA agreements had the strongest assertion of management rights. Next, order, were the AFT, independents, AAUP, and mergers. With regard to this issue, the agents had the same rankings in both the two and the four-year sectors. Perhaps overall policies more clearly govern the type of management rights clause an agent will consider acceptable, while the rights gains an agent can achieve for the faculty it represents are dependent on other factors.

Interesting questions are raised by the fact that mergers had relatively high faculty rights scores and relatively weak assertion of management rights. Does this indicate that when faculty unions are able to overcome organizational rivalries, they can negotiate more effectively?

While some agents were more clearly associated with strong rights language than were others, their performance varied a great deal from one set of institutions to another and from one issue to another. It appeared that institutional and demographic variables served to inhibit or promote the interests of the various agents on particular campuses. In many cases, then, the identity of the bargaining agent mattered less than the region, affiliation, size, or type of the institution in question as well as its status as either a four-year or a two-year school.

Two-Year vs. Four-Year Schools

The contrast between two-year and four-year faculty rights assertion was quite marked. For every area the two-year means were lower. How-

ever, it must be remembered that prebargaining faculty rights in two-year schools usually were much weaker than those in four-year institutions. In at least some parts of the four-year sector, the administration and faculty primarily were engaged in sorting out their respective rights and then placing them in the contract. On the other hand, most two-year faculty associations, using the four-year as a model, were just beginning to chip away at the bundle of rights held by the administration. Thus, two quite different kinds of rights battles were taking place, and in reality, we are looking at two quite different kinds of achievements concerning contractually-specified voice in administrative and personnel decisions.

Conclusions

In assessing the impact of academic bargaining on management rights, our research has shown that the results are far from uniform. We discovered variation associated with a number of factors. Thus, we found that two quite different but related rights contests are taking place, one centered in the four-year and the other in the two-year schools. Not surprisingly, the extent of faculty and administration rights assertion was related strongly to institutional size and region. However, the failure of the public schools to outperform the private was somewhat unexpected, as were the results concerning the agents' effectiveness as measured by strength of faculty rights assertion. Degree of effectiveness often seemed to depend more on the specific situation than on the identity of the agent. As many have predicted, institutional type proved to be associated with differences in assertion of rights in the four-year sector.

By and large administrators appeared to be joining faculty members in attempting to place their traditional prerogatives in the agreement. In these first stages of bargaining, rights assertion for both sides is generally moderate, but some administrations have negotiated very strong management-rights statements, and some faculty associations have obtained clauses providing for very strong voice. Faculties did have difficulty in moving beyond assertion of rights in the customary personnel concerns of their craft. Gains in the administrative areas were truly modest, although retrenchment appeared to be a growing issue.

Clearly, the provisions faculties have been placing in the contract reflect a professional-craft orientation to collective bargaining. This generalization applies even to the less craft-like two-year sector whose bargaining demands, as noted, reveal that it holds the four-year schools as a model. More than any other indicator, the great emphasis on moving strong tenure language into the agreement affirms the craft approach.

Tenure is the keystone of this craft's existence. Via the tenuring process traditional craft controls can be exercised. Without voice in this process, the professor is merely an employee with direct relations to the administration. It is no accident that tenure received the highest mean score for assertion of rights in the four-year sector.

What are the implications of the craft model for the rights issues of the future? We do not foresee any possibility that faculty associations will move away from this model and toward the industrial type. Crafts are known to be flexible within their own groups but rigid in their external relations. They can be adaptable, but this is not one of their prime characteristics. If craft employment conditions and rights are provided, the craft will concern itself with administering these. But if they are tampered with, if, say, tenure systems are threatened, unyielding reactions are apt to occur. The group will rise to defend its jurisdiction and may well engage in a great deal of nonproductive activity. Crafts have the ability to participate effectively in the managerial process, but the relationship of a craft to its management can become destructive if both parties begin to focus on the defense of their respective rights to the neglect of the problems that both should be trying to solve.

What is the likely future of the faculty-administration or craft-bureaucrat relationship? In the next decade higher education will become increasingly product-oriented. New clientele will be sought and new programs initiated in a competitive search for markets. Administrators will be pushing hard on matters the professoriate considers to be within its rights and jurisdiction. Given the predominantly craft style of faculty unionism and the nature of the prospective issues of the 1980s, controversy over rights is almost certain to grow.

Multilateral Bargaining in Higher Education: The Case of New Jersey

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The research reported in this paper tested a model of the causes and effects of multilateral bargaining developed from organizational theory and existing empirical research on multilateral bargaining. Multilateral bargaining was defined as interactions between managers, employees, and third parties which deviate from the bilateral negotiations involving formally designated representatives from each side and the internal bargaining activities which occur between the formal negotiators and their respective constituencies (intra-organizational bargaining).

The model extended previous formulations by including a wider range of relationships. In addition to the "end-running" most often discussed in the literature, the model included the several types of possible coalitions among the various levels of management and labor; coalitions among several unions or several employers; and coalitions with third parties, including government agencies, client groups, and the public.

The major hypothesis of the study was that multilateral bargaining decision-making processes represent adaptations to the organizational and environmental characteristics of the system of which the collective bargaining process is a part and as such, become institutionalized over time in the collective bargaining relationship. The expected relationships between the formation of coalitions and existing authority, structural (both bargaining and organizational), and technological arrangements were as follows:

1. Coalitions between union leaderships or union constituents and levels of management at, above, or below the managers at the bargaining table are more likely to occur *the greater the role differences across levels of an organizational system, the greater the role differences within each system level,* and *the greater the competition for resources.*

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2. Coalitions among different bargaining units of different employers within the same system are more likely to occur *the greater the similarity of employee policies across related subsystems of the same system, the greater the extent to which a single level of management within a system has a major influence on decisions affecting a range of bargaining units in organizational subsystems, the lower the competition for resources among the units,* and *the greater the similarity of the bargaining agents.*

3. Coalitions among different bargaining units or different employers which are members of different systems, in addition to those stated in 2, are more likely to occur the *tighter the coupling between the organizations and their task environments.*

4. Coalitions between the parties to negotiations and third parties (clients, public, or government) or independent actions by third parties are more likely to occur *the greater the extent to which the technology of the organization requires the processing of human beings, for example, schools, prisons, welfare agencies; the tighter the coupling between an organization and its task environment;* and *the more comprehensive the bargaining legislation.*

Study Design

The research design was a longitudinal study of faculty collective bargaining at Rutgers University where the faculty are represented by the American Association of University Professors (AAUP) and the eight New Jersey State Colleges where the faculty are represented by an affiliate of the American Federation of Teachers (AFT). The coalition activities of these units with other state employee units were also examined.

Data collection commenced with the initiation of bargaining in 1969 and continued until 1977. Data collection methods included interviews, observation of coalition activities, and document analysis. Our methodology permitted us to identify all of the formal coalitions and a high percentage of the informal coalitions.

The Actors

The negotiating authority for all state bargaining units resides in the Governor's Office of Employee Relations (OER). The Department of Higher Education (DHE) also participates in negotiations with higher education units. The eight state colleges are combined into a single unit. State college employees not represented by the faculty unit are in a statewide unit with non-higher education employees. The faculties at Rutgers University, the College of Medicine and Dentistry of

New Jersey (CMDNJ) and the New Jersey Institute of Technology (NJIT) are in separate units. The other employees at these institutions are also members of local bargaining units unrelated to other state units.

The Interactions

Union Coalitions with Management Factions

End-running was the most frequent and pervasive type of multilateral bargaining, although the pattern between the state colleges and Rutgers differed. At Rutgers the AAUP was more often involved in coalitions with the local administration. Procedural changes in pension benefits, work-load policy, teaching assistant insurance benefits, and other issues joined the AAUP and the administration together against higher level managers. At the state colleges the AFT used its political clout to put pressure on the governor which it had strongly supported for election, sometimes leading to the reversal of positions taken by the governor's own negotiator. As a consequence, the scope of negotiations was impacted. The AFT unit was the first state unit to get binding arbitration and a moratorium was placed on evaluation guidelines. The governor was also brought into the 1974 strike, agreeing to payment for lost time for the faculty, a settlement which infuriated the Chancellor of Higher Education and the state college presidents. In addition, no legal action was taken against the illegal strikers. Clearly, a breakdown in the management's intra-organizational bargaining process facilitated by role differences across levels of the system created the opportunities for end-running.

These role differences across levels of management also created pressures for the parties to solve problems locally in order to preserve institutional autonomy and solve local issues. At both Rutgers and at individual state colleges the parties came to local understandings. The AAUP and the administration at Rutgers agreed to use the local governance procedures to deal with faculty tenure and leave issues.

During the first round of negotiations in the state colleges, unauthorized local negotiations were conducted at all state colleges. All colleges locally negotiated a procedure to grieve nonreappointment even though nonreappointments were explicitly nongrievable in the statewide contracts. At some colleges the senates passed the terms of the local collective bargaining contracts as senate resolutions. The use of the governance procedures for this purpose declined after the NJEA was replaced by the AFT as the bargaining agent. The unauthorized local negotia-

tions were later institutionalized and bi-level negotiations now take place.

Union Factions

As expected, bargaining unit factionalism did occur both at Rutgers and the state colleges. However, the resolutions of the issues which caused the factionalization did not come about through coalitions between the factions and management because union leaderships were supportive of the interests of the factions.

In the state colleges, factions in two instances developed along occupational lines and in another case along college lines. A librarian faction arose when an evaluation of state positions led to the removal of faculty status for state college librarians. The administrators in the unit alleged they were treated as "second class citizens" of the state college unit. The failure of the NEA affiliate to resolve these issues led to their turnover as bargaining agent. The librarians were pro-AFT and many of the administrators boycotted a very close election. The librarian problem was eventually resolved by legal action taken by the union leadership, a use of third-party influence. Support for either the AFT or NEA also tended to be factionalized by college, with the new colleges solidly supporting the AFT, and with one or two colleges not having majority support for the AFT when it won representation rights for the statewide unit.

At Rutgers a librarian faction also developed over the proposed change in librarian status resulting from the state job evaluation. A complicating factor was that the AAUP bypassed the local administration and negotiated a salary package with state authorities which reflected the proposed change in status with a different salary treatment for librarians. Another faction was created when the state negotiators refused to agree to certain insurance benefits for the teaching and research assistants who are a part of the faculty unit.

In all instances the factions had been created not by local administrative actions, but by actions of managerial authority at the state level. A union-management coalition formed against this higher level of authority at Rutgers.

What the New Jersey higher education experience tends to suggest is that the threat to its security is more often likely to lead union leadership to take up the fight for unit factions. If they don't, or are unsuccessful, turnover of bargaining agents occurs.

The expectation that resource-allocation problems amongst factions would create multilateral bargaining activities was not fulfilled. The

method of granting salary increases probably contributed to this outcome; that is, everyone in the state unit usually got the same increase.

Coalitions Among Bargaining Units

Formal coalitions among employee units occurred among the several units which negotiate with the Rutgers administration, among the faculty organizations from Rutgers, NJIT, and CMDNJ, among the faculty organizations at each of the state colleges, and among the major state employee units.

At Rutgers methods of compensation and parking policy initially united the unions. Common salary arrangements united Rutgers and CMDNJ and NJIT as well as the statewide coalitions. It has been the policy of the state to treat all the units the same in terms of salary increase. This policy stimulated the formation of coalitions. The state coalitions operated at the level of the governor and the legislature, end-running the OER negotiator. During an election year their efforts were successful in having the increments reinstated after the governor's negotiators had pursued a policy of removing them.

The statewide coalition of public employees was formed during every series of contract negotiations, but its membership was unstable due to competition over representation rights for the same employees.

Faculty at the state colleges were the first state employees to negotiate under the 1968 bargaining law. They engaged in coalition bargaining ending in one contract covering all state colleges. The coalition at the state colleges in 1969 reflected the historical centralization of power in the state colleges, although one purpose of the 1966 higher education law had been to decentralize authority to the individual colleges. The de facto statewide state college unit was subsequently legally recognized by a unit redefinition.

Third-Party Activity

Third-party activity in negotiations centered primarily around attempts of the parties to change the bargaining law, to use PERC and the courts to enhance their power, and to use the interest arbitration process to change policy. Students have also taken an interest in negotiations at the state colleges, but on only one occasion has their influence been effectively felt.

The unions have been quite active in lobbying for stronger bargaining legislation. Insofar as the legislature determines the framework of the collective bargaining relationship, the legislature acts as a third party external to the bilateral relationship. Union lobbying was important both

in the passing of the initial 1968 bargaining law and also the 1974 amendments. The increased power which these statutes provided the unions was a consequence of successful union-politician coalitions.

In the state colleges it was the perception of management that the AFT was using the contract arbitration process to change policy. The state OER rejected arbitration awards which in the director's judgment expanded the scope of the contract. The state college students, acting independently, were influential, with the legislature, in seeking an end to the 1974 strike. As the strike continued, the students threatened to seek an injunction, a process which many feel created increased pressure for settlement.

Summary and Discussion

Time and space limits a thorough summary and discussion of our findings, but generally speaking, our expectations were confirmed and where deviations occurred, peculiar features of the New Jersey system seemed to explain them.

One important finding for us was the pervasiveness of the multilateral bargaining activities which we found. It soon became clear that multilateral bargaining activities were not aberrations to normal bilateral bargaining processes, but rather, as we expected, adaptations of collective bargaining decision-making processes to the organizational and environmental systems of which bargaining is a part. To drive the point home, it is interesting to contrast the New Jersey experience to that in New York state. In New York the bargaining structure from the beginning was highly centralized in a statewide unit covering many different types of institutions. In New Jersey, the initial bargaining unit was at the lowest common denominator, the individual college or university. First, coalitional activity of various kinds tied together the parts of the system which had the most in common on various issues in dispute, and, then, in some cases, the coalitions were institutionalized through permanent changes in the bargaining structure. The permanent changes seem to reflect realities of organizational authority and structure. For example, authority in the state colleges prior to bargaining was centralized at the state level. So the bargaining structure evolved to reflect that reality. The reaction to that centralization, however, was first unauthorized and then formalized negotiations at the local level on issues where the authority was local.

The interesting aspect of the New York–New Jersey comparison is that the formalized New Jersey system has stabilized substantially below the statewide New York orientation, although informal coalitions bind the system together on issues of systemwide or statewide impact. Somehow the natural New Jersey adaptation seems more responsive to in-

dividual institutional problems and, therefore, more acceptable. In this context, it is somewhat difficult to understand why the Oregon Employment Relations Board objected to a state proposal that the issue under discussion would dictate the coalition of bargaining units for the purposes of negotiations. Based on the New Jersey experience, these fluid coalitions on broader issues combined with local negotiations on local issues seem to be one solution to the complex public-sector decision-making process.

Our final observation is that we feel that a multilateral conceptualization of the bargaining process which more clearly identifies the multiple influences on bilateral bargaining will contribute to an improved understanding of the way in which the collective bargaining system has become institutionalized in our society and why the structure of the system changes over time.

Bargaining Structure and Intraorganizational Control: The Case of the Minnesota State University System*

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A conceptual framework for the analysis of bargaining structure is derived from recent work in organization theory. This framework incorporates a view of structural formation as grounded in the politics of organizational control. It is used here to examine the evolution of structural arrangements in the Minnesota State University System (MSUS),[1] by modeling the development of bargaining structure in that unit and proposing hypotheses that specify causal relationships between the design of bargaining units and pre-existing environmental and contextual factors. The focus is on the structural dimensions of collaboration and centralization, although the model might be expanded to encompass other dimensions.

Conceptual Framework

The usual view of how bargaining structure is determined runs as follows.[2] Labor and management organizations are assumed to be goal-

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[1] The Minnesota State University System (MSUS) bargaining unit includes seven campuses. The University of Minnesota and the two-year community colleges are not in this unit. About 2000 faculty in the unit are represented by the Inter-Faculty Organization, affiliated with the Minnesota Education Association. Bargaining started in 1975. Information about the MSUS experience is from documentary sources and interviews of key managerial and union personnel.

[2] See, for example, Neil W. Chamberlain and James W. Kuhn, *Collective Bargaining* (New York: McGraw-Hill, 1975), and Arnold Weber, "Stability and Change in the Structure of Collective Bargaining," in *Challenges to Collective Bargaining*, ed. Lloyd Ulman (Englewood Cliffs, NJ: Prentice-Hall, 1967).

directed collectivities. The incumbent authorities of these organizations are viewed as accountable to organizational stakeholders (e.g., the rank and file, stockholders, boards of trustees). Organizational objectives derive from the preferences of stakeholders (e.g., profit maximization, cost minimization, income maximization, job security, equitable treatment), and effectiveness is assessed by the extent to which the outcomes of organizational action facilitate the achievement of stakeholders' goals. It is expected that union and management negotiators try to resolve internal goal conflicts prior to any direct interaction, but it is equally likely that such internal differences must be dealt with as each side parries during the give-and-take of negotiations. It is with at least the appearance of internal resolution, however, that labor and management organizations each act as consensual social systems with well-defined and usually competing objectives. Collective bargaining is thus primarily a process of competitive interorganizational exchange.

Structures are thought to be chosen rationally in order to facilitate such an exchange. So that internal conflicts, especially on the union side, can be avoided, the degree to which bargaining unit members share a "community of interest" is a significant criterion in establishing the boundaries of a bargaining unit. "Community of interest" may be determined by product and labor market characteristics as well as the historical personnel practices of the management organization. Centralization of bargaining authority is frequently related to the scope of bargaining. It is also suggested that external agencies, such as the NLRB and PERBs, have substantial impact on the composition of a bargaining unit. Bargaining strategy may influence the extent to which a group of employees is concentrated in a single bargaining unit or dispersed among several units. The choice of a particular structure may be made so as to influence subsequent wage settlements when pattern-following is an important influence in wage determination.

The assumption that managers (or union leaders) act primarily to optimize organizational effectiveness has come under increasing scrutiny in recent years. The stated goals of organizations are often numerous, difficult to operationalize, and inconsistent. Goal statements seem to serve, in some instances, as rationalizations for past courses of action to which the organization has become inexorably committed. Decision-makers regularly function under conditions of ambiguity and uncertainty. Relations between actions taken and subsequent outcomes are highly tentative; the values of given outcomes to the organization are ill-defined. Rather than confront uncertainty, decision-makers seek to avoid it or to reduce their perceptions of it. Thus, organizational policies are chosen in a quasi or

nonrational manner. The primary implication of this perspective on organizational behavior is that it is of questionable value to try to understand the actions of organizations by endeavoring to link actions to the pursuit of organizational goals.[3]

Organizations may better be viewed as political entities in which coalitions compete for control over policy formation.[4] Decisions reflect the interests of powerful subgroups rather than stated or presumed organizational objectives. The distribution of control reflects the distribution of subgroup power. That power derives from control of resources crucial for organizational survival, the ability to reduce organizational uncertainties, and alliances with external groups which legitimize the organization.

Satisfaction of personal objectives is one reason for power politics. More important, environmental and technological ambiguity along with numerous and conflicting demands necessitate that authorities exercise control to assure organizational continuity. Incumbent authorities create structures which institutionalize control. Similarly, authorities seek to shape and manage, rather than merely react to, the external environment. Both the internal structures of organizations and the external structures which coordinate the interactions of two or more organizations are designed to assure and stabilize the control of dominant subgroups. Thus, the shape of bargaining structures is a function of the distribution of power within management and union.

Interdependence and conflict between university management and a faculty union create uncertainty. Uncertainty threatens the survival of the competing organizations (or their leadership) and creates the potential for shifts in intraorganizational power distributions (or a change in leadership). The outcome of a strike (or the decision of an arbitrator) is difficult to predict. An unfavorable result may generate internal opposition to the existing leadership; a vice chancellor may be replaced or a union president removed from office. A better strategy is to develop an amicable working relationship with an ostensive competitor. Thus, as there is an impetus to centralize control within organizations, there is a similar impetus to centralize bargaining authority.

[3] For the development of this perspective, see, among others, Kenneth J. Arrow, *The Limits of Organization* (New York: Norton, 1974); Richard M. Cyert and James G. March, *A Behavioral Theory of the Firm* (Englewood Cliffs, NJ: Prentice-Hall, 1963); James G. March and Johan P. Olsen, *Ambiguity and Choice in Organizations* (Bergen: Universitetsferlaget, 1976); and Karl E. Weick, *The Social Psychology of Organizations* (Reading, MA: Addison-Wesley, 1969).

[4] See, among others, Jeffrey Pfeffer and Gerald Salancik, *The External Control of Organizations* (New York: Harper and Row, 1978); James D. Thompson, *Organizations in Action* (New York: McGraw-Hill, 1967); and Oliver Williamson, *The Economics of Discriminatory Behavior* (Chicago: Markham, 1967).

Hypothesis 1: Given hierarchical control within labor and management organizations, bargaining structures will be hierarchically centralized; relations between labor and management will tend to be cooperative.

Since the need to stabilize an interorganizational relationship varies directly with the unpredictability of the relationship, should one side clearly dominate in a bargaining situation, then the uncertainty of bargaining outcomes would be minimal (as the dominant party could impose contract terms on the weaker party) and the intraorganizational pressures to exert control over the situation would be reduced:

Hypothesis 2: The degree to which hierarchical bargaining structures and cooperative bargaining relationships develop will vary directly with the degree to which labor and management organizations are mutually dependent.

The centralization tendency may also depend upon the hierarchical distribution of power within union and management. Union leadership may be responsive to rank-and-file coalitions. Bargaining structure may be decentralized through: (1) allowing contract negotiations at lower levels (e.g., local agreements within a master agreement); or (2) centralized negotiations combined with structures which facilitate member participation in bargaining-related decisions.

A corollary to decentralization generated by internal political pressures is that the level of interorganizational conflict should increase. To the extent organizational authorities are dependent upon internal power-holders, efforts to achieve organizational control will be frustrated. In seeking to legitimize their actions internally, union or management representatives may be forced into an aggressive stance vis-à-vis the opposing organization. We know that labor-management relations generally become more cooperative over time, which is usually attributed to negotiating experience and improved communications. Yet organizations, and especially unions, also tend toward internal centralization over time. The observed reduction in conflict, in fact, may be attributable less to improved bargaining skills than to the mutual desire of union and management authorities to avoid the political risks of conflict. A redistribution of power internally, therefore, may alter bargaining relationships in two ways:

Hypothesis 3: The degree to which hierarchical bargaining structures and cooperative bargaining relationships develop will vary inversely with the degree to which the vertical distribution of power within the organization favors lower-level participants.

While the authorities of decentralized organizations must attend more carefully to internal demands, one should not conclude that decentralization leads to a stronger correspondence between organizational actions and the attainment of participant goals. It is tempting to believe that decentralization promotes union democracy and that democratized unions are in some way more consistent with effective employee involvement in the determination of the terms and conditions of employment. In fact, decentralization is apt to make the formation of external bargaining policy *and* intraorganizational bargaining even more ambiguous and complex. Goal conflicts will exist among competing and powerful subgroups so that organizational authorities will be preoccupied with the short-term appeasement of special interests. The direction of organizational action will shift erratically as authorities attempt to defuse potential internal crises.

The emergence of a bargaining structure must be understood as a dynamic process which is dependent upon the internal political characteristics of the interacting labor and management organizations. Should two relatively centralized organizations enter into a bargaining relationship, then it is almost trivial to predict that the resulting bargaining structure will be centralized (Hypothesis 1). However, the problem of prediction is more complex when (a) a centralized organization confronts a decentralized organization, or (b) two decentralized organizations interact. In situation "b," we would expect bargaining to be decentralized initially (Hypothesis 3). But if the distribution of power within these organizations remains undisturbed, then coalitions of powerful subgroups should achieve dominance. As dominant coalitions seek to institutionalize control and maintain order, bargaining structures are increasingly centralized (Hypothesis 1). In situation "a," the initial bargaining structure may be centralized, although there may be a considerable upward influence over the formation of bargaining objectives in the more pluralistic organization. Assuming no exogenous shifts in the intraorganizational patterns of power, then control should centralize in the more pluralistic organization and, consequently, in the bargaining structure.

The Minnesota Situation

In the MSUS, a centralized administration confronts a democratic participative union—an example of case "a" specified above. The integration of seven colleges into a university system was accompanied by concentration of power in the Chancellor's office. In the management structure for bargaining, campus administrators, from deans to presidents,

provide lists of ideas for negotiations. The negotiating team and the University Board also contribute ideas. Management's prenegotiations position is developed by the Chancellor's office. A representative from the State Personnel Office, with a small team responsible to the Chancellor, negotiates. Decision-making is confined to a small group.

The decentralized character of the Inter-Faculty Organization (IFO) derived in part from its origin in grassroots campus faculty associations which sought to act collectively as administrative decision-making shifted to the Chancellor's level and as the potential for unionization was created. The union's constitution and formal structure induce decentralized decision-making. Elected campus leaders serve on the statewide Board. That they serve part-time, retaining academic positions on their campuses, and are therefore close to the rank and file, keeps them responsive to member demands. This responsiveness is accentuated by the high level of member involvement in the IFO affairs and the ease with which campus faculty groups with grievances can mobilize to elect individuals who represent their positions. An elaborate committee structure—on each campus committees for each major issue area, with parallel state level committees—reinforces decentralization. Campus committees channel negotiations recommendations to the Campus Faculty Council. Resolutions developed by the Council are distributed to the faculty, modified, and submitted to the IFO Delegate Assembly, which formulates the IFO bargaining position. The negotiating committee works from this. In addition, virtually all grievances are handled at the local level, with infrequent systemwide involvement.

Within this context, bargaining demands are also generated through informal relationships. There is considerable communication between the MEA/IFO staff representative and campus presidents and grievance officers. He visits campuses to discuss problems and seek inputs for negotiations. This allows for some bypassing of the formal demand-formation structure so that issues may come up during negotiation which have not worked their way through the representation process. But a biennial election for campus representatives on the negotiating team has meant that there has not been a great deal of success in bypassing local members and concentrating power at the top. A further measure of the democratic approach to bargaining is observed when strategy is developed as to the most important items for negotiations and decisions made as to which issues are to be pushed and which surrendered during the give-and-take at the table. These issues are decided on the basis of votes taken within the negotiating team. Because of the members' closeness to their campuses, this procedure enhances democratic participation.

The IFO is affiliated with the Minnesota Education Association (MEA), which has provided aid in organizing and in influencing state political forces. That this affiliation is renewable biannually, and because the preponderance of MEA interest is in the public schools, implies that while the IFO-MEA relationship is tenuous, the IFO is able to withstand centralization pressures emanating from a larger parent union.

The institutionalization of collective bargaining has been inhibited by a number of factors. Presumably, the legislature intended to pass the burden of determining salaries and personnel practices to the parties. However, the legislature retained the power to determine the aggregate salary adjustment for the unit, and withdrew the right to set retirement benefits and contributions. While the parties negotiate over salaries, nothing of substance takes place without legislative action. The maturation of the bargaining relationship is further inhibited by the divergent concerns of Chancellor, State Personnel Board, and key legislators. Bargaining under the Minnesota law has allowed management to deal with the administrative side of the relationship (e.g., class size, tenure, retrenchment policies), while effectively excusing it from monetary matters. The University administration has been able to claim that monetary issues are beyond its control, and that *because* of collective bargaining it would be inappropriate for the administration to argue before the legislature for faculty gains larger than what the legislature is budgeting. As one would expect from this experience, collective bargaining appears, from management's point of view, to be working. This perspective is consistent with the theoretical arguments posited above.

The faculty anticipated that collective bargaining would provide solutions to a number of pressing problems in areas of economic welfare and governance. The first negotiations (1975) were prolonged and unsuccessful. Salary level and equity issues were unsolvable, and were taken to arbitration following impasse. This cycle was repeated in 1977. The arbitrator ordered a salary schedule, to be negotiated by the parties. By the end of 1979 this remained unresolved, while the salary level increase issue again went to arbitration in the 1979 negotiations. These events, together with the tough stance of the University administration, have led to feelings of frustration among the faculty.

The faculty *has* gained in some areas, including certain curricular matters, selection/nomination of department chairpersons, and promotion and tenure decisions—although not an absolute say in any of these matters. A further "apparent" gain for the faculty has been the development of a "meet and confer" procedure. This structure provides for campus administration and IFO representatives to discuss issues of importance.

Success with this procedure varies across campuses and by issue. A common complaint is that administrators listen to all sides of an issue in these sessions but hear only those they want to hear. This process, which in reality focuses attention on a select few, allows for the consolidation of the influence of these "power brokers." The organizational implications of such a situation, where only some voices are heard, are to give an impression of participation while maintaining control in the hands of the administration and a select group of faculty members. An image of decentralization is created, while concentrating power toward the top of the local structure. However, it has also generated dissatisfaction among the broader set of faculty members which feels its positions are going unheeded. As might be expected in an organization with considerable local autonomy, faculty groups have taken independent action to lobby legislators and university board members. This multilateral bargaining activity is facilitated by the decentralized structure of the IFO. The preservation of organizational power at the local level has made it almost impossible to prevent "end-running" of the collective bargaining process. This, in turn, directs attention away from a systemwide union perspective to enhancement of local concerns and interests.

Within the IFO, the perspective on bargaining is more diverse and related to the level of the observer and evolving experience. At the top the perception is that the IFO system works fairly well. The leadership views the relationship as an amicable, developing one, with discussion and reason leading to agreements. Delays and difficulties caused by the need to work through the somewhat cumbersome negotiating committee are viewed as problems. The complexity inherent in working with a committee as large as that of the IFO has led to proposals that it be reduced to three or four members. The reasons listed include those of someone wishing to concentrate power: the existing system is inefficient and time-consuming, more secrecy is needed in negotiations so that issues can be explored without committing to each, the cost of assembling the committee is high, and individual members bring subjects to the table which are beyond the scope of bargaining. These views are not expressed in power-centralizing terms. The leadership sees bargaining as a process in both time and space: current difficulties in the system are viewed as part of the maturation process. At issue is how long this development process will take—and there is some evidence that it may be an extended period. At any rate, to this point, no stable dominant coalition has emerged; and, in particular, an entrenched statewide union leadership group has not developed.

Conclusions

The apparent decentralization of the MSUS bargaining structure is consistent with Hypothesis 3. The bargaining relationship, at least as viewed by faculty at the campus level, is conflictive and characterized by distrust. But is decentralized bargaining within the MSUS stable? We have argued that, unless power is constantly shifting within the parties to a bargaining relationship, organizational authorities endeavor to consolidate control and establish noncompetitive bargaining relationships (Hypothesis 1). Yet in the IFO we have witnessed quite the opposite, with disparate bargaining occurring. The question then is, should we expect a reversal and a move toward more centralized negotiations in the MSUS?

As indicated above, some statewide IFO officials have recently argued that the current committee system by which the IFO conducts negotiations should be streamlined. There should be fewer members, and bargaining authority should rest principally with the IFO statewide president and the IFO/MEA executive director. The deliberations of this committee, because of its smaller size, would be more confidential, so that university negotiators would not be privy to IFO bargaining policy. Yet it is also true that changes in the committee system would limit information available to the membership. Some IFO officials interviewed also perceive the presence of "power brokers" within the rank and file. While power brokers do not often hold office, they frequently shape IFO policy tacitly or covertly. Thus, the leadership is increasingly aware that a power structure clearly exists within the rank and file, that it is becoming stabilized and that this power structure effectively controls much IFO behavior within the apparently democratic structure of the organization. The likely structural changes within the MSUS bargaining unit, especially on the union side, suggest an increasing degree of centralization. It would appear that the groundwork is being laid for a system that would enhance hierarchical control, as a result of an emerging recognition by union leaders that union decision-making is power-based and politicized. This tendency may be accentuated by an increase in feelings among the faculty that some greater union centralization is necessary to counter management power.

An inhibitor of any trend toward centralization is the legislature. As long as it retains ultimate budget-making power, there will be an incentive to bypass the bargaining process and carry one's case to the local legislator. Multilateral bargaining, exercised by rank and file at the campus level, will be attempted as long as it provides a basis for power and control and holds the promise of some success. The only manner in

which this route can be closed is for the legislature, the IFO, and the administration to demonstrate that it cannot deliver and that all gains must come through the centralized bargaining structure. We anticipate that the leadership of these bodies will move in such a direction.

The Politics of Collective Bargaining Legislation for Public Higher Education in California*

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In September 1978, California's Governor Brown signed into law the Higher Education Employer-Employee Relations Act (HEERA)[1] which extends formal collective bargaining rights (although the term "meet and confer" is used throughout the Act) to employees, including professional faculty, of the nine-campus University of California (UC) and nineteen-campus California State University and College (CSUC) systems. Enactment of this law completed California's piecemeal approach to the regulation of public-sector labor relations. Three prior statutes had extended organization and bargaining rights to employees of local government, public schools, including two-year colleges, and the state government, respectively.[2]

The purpose of this paper is to examine the political forces which brought about the HEERA, focusing in particular on the role of the managements of UC and CSUC in relation to this regulatory "labor" legislation for California higher education. The analysis highlights the markedly different political strategies adopted by these two educational institutions to deal with emergent collective bargaining legislation. Spe-

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[1] This law, Assembly Bill 1091, is popularly referred to as the Berman Act after its sponsor, Assemblyman Howard Berman. Its provisions became effective on July 1, 1979.

[2] These laws are the 1968 Meyers-Milias-Brown Act (covering local government), the 1975 Educational Employee Relations Act (covering public schools and two-year colleges), and the 1977 State Employer-Employee Relations Act (covering state government). Comprehensive collective bargaining bills to cover all of California's public-sector labor relations were introduced into the state legislature in its 1972-73, 1973–74, and 1974–75 sessions, but none was enacted.

cifically, the UC administration, which initially opposed a law, subsequently worked to influence the legislation to serve what it judged to be the university's interests, and wound up taking an official position of neutrality on passage of the statute. In contrast, the CSUC administration opposed enactment of the law from start to finish of the legislative debate on the HEERA, and had little influence on the substance of the act.

The Initial Legislative Thrust

Assembly Bill (A.B.) 1091 was introduced into the California state legislature on March 24, 1977, by Assemblyman Howard Berman (Dem.-Beverly Hills), a prominent advocate of collective bargaining rights for public employees and co-sponsor of a previous (unsuccessful) bill to provide comprehensive bargaining legislation for California's public sector. Among the labor organizations which initiated and strongly supported A.B. 1091 were those which enrolled faculty members of CSUC, specifically, the United Professors of California (UPC), an affiliate of the American Federation of Teachers (AFT); the California College and University Faculty Association (CCUFA), an affiliate of the National Education Association (NEA); the American Association of University Professors (AAUP); and, perhaps most prominently, the California State Employees Association (CSEA).[3] Also strongly in support of this bill were several other labor organizations affiliated with the AFL-CIO—the American Federation of State, County, and Municipal Employees (AFSCME), the Service Employees International Union (SEIU), the Laborers' International Union of North America (LIU), and various craft unions—which enroll some staff employees of both UC and CSUC. Labor organizations composed of UC faculty members, in particular the independent faculty associations which exist at seven of the University's nine campuses, were not among the early supporters of A.B. 1091, although they later came to play a major role in the process of revising the bill before it became law.[4] Thus, the initial and principal

[3] CSUC faculty membership in these four organizations was estimated to be about 4400, 1400, 1400, and 2500, respectively, in 1978. In the same year, approximately 12,000 full-time and between 5000 and 6000 part-time faculty were employed by the CSUC system. The CSEA, which has about 80,000 dues-paying members statewide, enrolls no UC faculty but counts some 5000 UC and CSUC staff personnel among its members. The dominant membership of the UPC at CSUC led the CCUFA, the AAUP, and the CSEA to form an alliance in 1974 under the name Congress of Faculty Associations (CFA).

[4] These associations had a total membership of about 1100 in 1978, at which time UC had some 6000 "regular rank" teaching faculty. In the same year, the AFT had 583 members at UC campuses, some of whom (perhaps a majority) were not regular rank teaching faculty; the AAUP had 379 members.

thrust toward collective bargaining legislation for California higher education came largely from CSUC faculty organizations.

And this is not surprising. Surveys of faculty attitudes conducted since the mid-1960s ". . . have consistently shown a majority of CSUC faculty to be in favor of collective bargaining. The most recent survey in 1976 reported that about 60 percent favored bargaining with only 25 percent opposed and 15 percent neutral."[5] More important, these attitudes were translated into dues-paying membership in CSUC faculty organizations during the 1970s. Further, the traditions of "shared governance" and a strong academic senate which have predominated at research-oriented UC have not prevailed at the teaching-oriented CSUC system. Pay scales are lower, teaching loads are heavier, class sizes are larger, research funds are more scarce, and a variety of working conditions are less generous at CSUC than at UC. Consequently, the CSUC faculty have been considerably more active than the UC faculty in forming labor organizations and in pursuing collective bargaining rights.[6]

Management Responses to A.B. 1091

The initial responses of the UC and CSUC administration to the introduction of A.B. 1091 were ones of firm opposition. Indeed, this was consistent with their posture on all previous attempts to include higher education within the scope of public-sector collective bargaining legislation in California.[7] These stances, like those of other institutions of higher education and of most employers in the public and private sectors who have faced prospective bargaining legislation, were based in part on the desire to preserve management's rights. However, they were also based in part on the concern for protecting certain "unique" fea-

[5] Joseph W. Garbarino, "Proposition 13 and Faculty Organizing under HEERA," *California Public Employee Relations*, Supplement to No. 39 (December 1978), p. 24. See also J. Malcolm Walker, "Transition to Bargaining, in a Multicampus System," *Industrial Relations* 13 (February 1974), pp. 23–39.

[6] This is not to say that UC faculty members are disinterested in these matters or opposed to bargaining. A 1978 survey of UC faculty showed 14 percent favoring collective bargaining, 19 percent flatly opposed to it, 20 percent opposed but favoring a vote on the issue, and another 20 percent opposed but favoring an exclusive representative to "represent faculty interests" in salaries, benefits, and other conditions of employment. However, the UC faculty have been less prone than the CSUC faculty to translate verbalized support for representation and bargaining into dues-paying membership in labor organizations. See Garbarino, pp. 29--30.

[7] In 1977, the legislature passed and the governor signed into law the State Employer-Employee Relations Act. As initially drafted, this bill, S.B. 839, covered UC and CSUC, but both institutions were removed from the bill at the urging of labor organizations which hoped that A.B. 1091 would be enacted into law. Because S.B. 839 appeared to provide the Board of Regents with more control over the collective bargaining process than A.B. 1091, the UC administration in June 1977 attempted to have the university amended back into S.B. 839. That effort failed, but it remains the sole instance in which UC (and CSUC) "requested" coverage under proposed collective bargaining legislation.

tures of the two institutions which, if subsequently altered by collective bargaining, presumably would lower the quality of higher education in California. The arguments which UC and CSUC administrators mustered against the bill and which they presented to the various subcommittees of the legislature that conducted hearings on A.B. 1091 during 1977 were very similar and were instrumental to the Senate Education Committee's disapproval of this bill late in the 1977 legislative session. Also an important force in the defeat of the bill was the UC student lobby, which resented having been removed from the bill's coverage via a legislative amendment.

From this point on, though, the UC and CSUC administrations parted company with respect to their positions on collective bargaining legislation. Despite voting it down in 1977, the Senate Education Committee did not foreclose reconsideration of A.B. 1901, and Assemblyman Berman declared his intention to reintroduce the bill at the start of the new legislative session in January 1978. Further, at about this time, the 80,000-member CSEA made the adoption of collective bargaining legislation for UC and CSUC one of its top legislative priorities. In this, they were fully supported by the statewide AFL-CIO, the several faculty organizations at CSUC, and, of special importance, the faculty associations at various UC campuses. Finally, A.B. 1091 had passed the Assembly in June of 1977 by a vote of 56 to 11, and the Senate Education Committee's vote against the bill was by a relatively close 7 to 4 margin. With strengthened labor support, it appeared likely that A.B. 1091 would be more favorably received by this committee and by the Senate generally when considered for a second time.

In light of these developments, members of the UC administration proposed to the university's governing body, the Board of Regents, that a policy of opposition to prospective collective bargaining legislation be abandoned and that "the President of UC be directed to develop proposals for and otherwise seek to shape collective bargaining legislation which recognizes the specific needs and concerns of the University in its relations with faculty and staff."[8] In what retrospectively must be regarded as a historic action, the Board of Regents approved this proposal in January 1978, and so instructed President David S. Saxon.

Intra- and Interorganizational Politics

This decision may seem to have been taken abruptly, but it is notable that some top officers of the university had begun in late 1975

[8] "Item for Action" presented to members of the Subcommittee (of the Regents' Committee on Finance) to consider employee relations legislation, University of California, Systemwide Administration, Office of the President, January 11, 1978, p. 1.

to prepare the groundwork for such a policy shift. The preparation took the form of a series of memoranda and presentations to the Board of Regents which emphasized the continuing pressures that were developing for public-sector bargaining legislation in California and which underscored the university's need to anticipate and shape such legislation rather than react to it after the fact. Thus, in early 1977, for example, members of the university's administration outlined to the Regents several policy options with respect to collective bargaining legislation, including "that the University consider supporting a limited collective bargaining bill which would take adequate account of the needs of the University."[9] The Regents were critical of this policy option, as they had been in the past, but one year later, when UC and CSUC were the only California public institutions not covered by collective bargaining legislation, they came to adopt it. This shift from an opposition to a proactive policy position thus developed out of an evolutionary process characterized by reflection, introspection, and inquiry—a process which can be said to prevail more generally in a major research university—albeit undergirded by the threat of regulatory legislation being enacted over the university's opposition. Additionally, this sequence of events suggests that complex intraorganizational bargaining, which heretofore has been conceptualized largely as a component of collective bargaining between organized labor and management, is a more general characteristic of the management process.[10]

This bargaining quickly took on major interorganizational dimensions, as members of the UC administration met with the Council of Faculty Associations (CFA) and other labor organizations, members of the legislature, and representatives of the governor. The fundamental purpose of these meetings was to reach a consensus on the provisions of A.B. 1091 which seemed most crucial to UC—provisions pertaining to the role of the academic senate and unit determination, the scope of representation, grievance processing, and the role of other state authorities (the department of finance and the legislature) in collective bargaining. The bill was repeatedly redrafted and amended during the

[9] Statement of the Vice President–Academic and Staff Personnel Relations, University of California, to the Board of Regents Committee on Finance, January 30, 1977, p. 7. See also the vice-president's statements of November 18, 1975, November 20, 1975, and February 4, 1976, delivered to the Academic Senate Education Committee, the Regents' Committee on Finance, and the Academic Council Committee on Collective Bargaining, respectively.

[10] See Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill, 1965), Chs. 1 and 10. We do not have space here to treat the intraorganizational bargaining that involved chancellors and other campus-level management personnel, directors of the five university-operated hospitals, and directors of the three university-affiliated laboratories, except to say that they were also party to this internal decision-making process.

legislative process, and in its final form contained provisions which clearly recognized the strong tradition of shared governance at the university. In language specific to UC, the law provides that (1) any unit containing members of the academic senate must include all such members and no others, and (2) procedures and policies used for the appointment, promotion, tenure, and evaluation of members of the senate are excluded from the scope of bargaining and are left to the senate, as is the processing of faculty members' grievances.[11] Moreover, unlike the trustees of CSUC, the regents of UC can conduct their own negotiations and are not mandated by the law to accept representatives to the negotiations appointed by the governor and the legislature. On all these matters, the CFA and the UC administration were by and large in agreement, and they worked to convince Assemblyman Berman and other key legislatures that a faculty-type governance model was best suited to UC—even under collective bargaining.[12]

In contrast, the CSUC administration and its governing body, the Board of Trustees, remained opposed to A.B. 1091 during the 1978 legislative session. Shortly prior to the start of that session, the chairman of the Board recommended that the CSUC's chancellor's office study options for developing a system of "collective negotiations" for that institution. However, most organized CSUC faculty and staff employees opposed this recommendation, and did so on the grounds articulated by the president of the UPC, namely, that "the recommendation may be intended to undercut support for A.B. 1091 . . . and any such negotiations would not be meaningful. . . ."[13] Once the legislative process commenced, this study proposal was dropped altogether.

Further and unlike the UC experience, the attempts of a few high-ranking administrative officials of the CSUC system, including some local campus presidents, to convince the chancellor and the Board of Trustees to soften their opposition to A.B. 1091 and to work with the legislature to shape major provisions of the bill, were unsuccessful. The

[11] Note, however, that the exclusive bargaining agent has the right of consultation of these issues, and, in what could be the most critical feature of the law, the academic senate itself can decide that any such matter should be included in the scope of bargaining.

[12] This is not to deny the differences that existed between the UC administration and employees over several aspects of the regulatory legislation. As but one example, most labor organizations opposed while the administration favored the provision of the HEERA which contains a rebuttable presumption that "all employees in an occupational group or groups shall be included within a single representation unit." The intent of this provision is to require a few broad systemwide units, something which the UC administration favors because it will (presumably) diminish whipsawing and ease the administrative burden on the university, but also because it will (again presumably) make it more difficult for employees to organize and attain collective bargaining representation.

[13] "CSUC to Consider Collective Negotiations," *California Public Employee Relations*, No. 35 (December 1977), p. 32.

CSUC trustees' opposition to A.B. 1091 persisted unabated and continued in place following the law's enactment. The chairman of the Board of Trustees observed in October 1978 (two months after HEERA passed the legislature) that ". . . a vote for collective bargaining can very well spell the end of collegiality as we now experience it within the CSUC."[14] So strong and (apparently) widely held was this belief among the CSUC trustees that it translated into a very different political strategy with respect to A.B. 1091 than that which was adopted by the UC Regents.

The Passage of the HEERA

The process of revising A.B. 1091 continued into the spring and early summer of 1978, with UC officials as well as UC and CSUC faculty and staff employee groups meeting separately with Assemblyman Berman. The shift in UC's posture toward A.B. 1091 and the efforts of the institution's administration to modify the bill in ways which it judged would best serve the university's interests were particularly important to members of the Senate Education and Finance Committees. Among these members was Senator Albert Rodda (Dem.-Sacramento), who served on both committees, chairing the latter, and who had authored the 1975 Educational Employee Relations Act (EERA). A notably influential legislator, Rodda voted against A.B. 1091 in 1977, expressing concern about UC's opposition to the bill and about the proposed legislation's failure adequately to address academic governance issues. Taking account of UC's "neutral" position on the 1978 version of A.B. 1091 and knowing of the university's role in shaping the revised legislation, Rodda voted for the bill on August 9 when it passed the Senate Education Committee by a 6 to 4 vote (with one abstention) and again on August 21 when it passed the Senate Finance Committee by a 7 to 6 vote. How influential Rodda's actions were on other senators is unknown, but most observers agree that his influence may well have spelled the difference between enactment and defeat of this collective bargaining legislation for California public higher education. In any case, the HEERA was passed by the full legislature on August 31, 1978.

Collective Bargaining, Academic Governance, and Educational Quality

In this paper, we have focused primarily on the role of management in the development of collective bargaining legislation for public higher

[14] Roy T. Brophy, "Collegiality and Collective Bargaining—Are They Compatible (Not Really)," remarks presented to the Association of California State University Professors, October 27, 1978, p. 5.

education in California and have analyzed different strategies chosen by UC and CSUC to deal with this issue.[15] The UC experience in particular demonstrates that, through processes of intra- and interorganizational bargaining, management can shape public policy during its formative stages, policy which subsequently will affect the functioning of the institution. Thus, those who manage institutions of higher education (and perhaps other types of organizations) are not limited simply to reacting to regulatory legislation after it has been imposed unless they consciously make that choice.

Is this to say that UC's strategy towards the development of the HEERA was wise or correct and that CSUC's strategy was unwise or incorrect? No, it is not, because a judgment on this score must wait evidence about the impact of the law on the functioning—meaning the governance—of these institutions. It *is* possible to render a favorable opinion of the HEERA in comparison with the regulation of collective bargaining elsewhere in public higher education. For example, Wollett observes that

> A.B. 1091 is the most thoughtful of the many state statutes that make collective bargaining available to employees of publicly funded higher education institutions. The statute deals in a responsive way with most of the problems which are unique to the way in which our higher education systems are structured and governed. Some of the responses may not be adequate; they may in some instances be mistaken; but they are informed responses. That in itself is a refreshing thing to be able to say about work of a legislature.[16]

Whether this "responsive" and "informed" statute will preserve academic governance at UC is problematic, however. Even if the law should spur faculty unionism at this major research university—a matter which itself may be affected by the recent U.S. Supreme Court decision in the *Yeshiva* case[17]—the result may be to support or even strengthen the tradition of shared governance. As the head of UC's

[15] In a subsequent paper, the roles of faculty and staff organizations and of the legislature in developing this regulatory legislation will be more fully examined.

[16] Donald H. Wollett, "HEERA: A Look at the New York Experience and California Prospects," *California Public Employee Relations*, Supplement to No. 39 (December 1978), p. 22. Wollett was formerly the Director of Employee Relations for the State of New York.

[17] In February 1980 the U.S. Supreme Court ruled that faculty members of Yeshiva University are managerial employees not entitled to bargaining rights under federal law. See *The New York Times*, February 21, 1980, p. 1, col. 1. Though this is a private-sector case which sets no formal precedents for the public sector, the Supreme Court ruling may affect potential amendments to the HEERA as well as management strategies to deal with public-sector faculty labor organizations.

Council of Faculty Associations notes, "a faculty bargaining unit at the university will have the same constituency as that of the academic senate; hence, the notion that such bargaining will harm shared governance or have a leveling effect on the quality of higher education won't wash. In fact, faculty bargaining will improve the quality of higher education."[18] Alternatively, should the academic senate eventually consign procedures and policies for faculty appointment, promotion, tenure, evaluation, and grievance processing to the scope of representation under bargaining, or should aggressive staff employee unions use bargaining to bring about a reallocation of resources away from the faculty, then traditional concepts of shared governance and educational quality at UC may be threatened.

For CSUC, the HEERA seems likely to hasten faculty bargaining, but it is well to remember that, at this institution, the academic senate came out in favor of unionism and a substantial portion of the faculty opted for industrial-type unionism *prior to enactment of the HEERA*.[19] We noted earlier that shared governance of the type found at UC has not prevailed at CSUC. Therefore, whatever effects may result from the development of broad-based faculty unionism and bargaining at CSUC, the dilution of shared governance with an academic senate composed only of regular-rank faculty will not be one of them.

In the final analysis, the question of whether or not the HEERA will hasten unionism (particularly faculty unionism) and bargaining at UC and CSUC is perhaps less pressing than the question of how the bargaining process will be managed at these two public institutions. Recent research demonstrates that public-sector bargaining generates diverse outcomes rather than a single pattern of results.[20] This suggests that the parties to bargaining can, within certain environmental constraints, determine what type of bargaining will occur and what the outcomes of the bargaining process will be. With respect to UC and CSUC, their respective administrations may choose different bargaining strategies to deal with organized (faculty and staff) employees, just as

[18] Interview with David E. Feller, Professor of Law, University of California, Berkeley, and president of the CFA, November 5, 1979.

[19] That is, the AFT-affiliated UPC has the largest membership among faculty organizations at the CSUC. Garbarino (p. 26) observes that "it is ironic that the trustees who opposed the extension of bargaining to higher education may well be operating under the law (at least as far as faculty are concerned) years before the university, whose administration ensured the law's passage by abandoning their opposition."

[20] See, for example, David Lewin, Raymond D. Horton, and James W. Kuhn, *Collective Bargaining and Manpower Utilization in Big City Governments* (Montclair, NJ: Allanheld Osmun, 1979), Chs. 1 and 6. See also David Lewin, Peter Feuille, and Thomas A. Kochan, *Public Sector Labor Relations: Analysis and Readings* (Glen Ridge, NJ: Horton, 1977), especially Chs. 6 and 7.

they chose different political strategies to deal with the formation of the HEERA. How well suited these bargaining strategies will be to the basic purposes of the two institutions, and how closely bargaining is harnessed to their respective purposes, will ultimately shed light on the wisdom of the very different political strategies of UC and CSUC toward the formation of collective bargaining legislation for public higher education in California.

VI. DUE PROCESS FOR NONUNIONIZED EMPLOYEES

The Case for Protection of Unorganized Employees Against Unjust Discharge

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Unions in the United States, through collective bargaining, have provided workers with a guarantee of due process, including the right of appeal to arbitration, in situations involving discipline or discharge for on-the-job behavior. Government employees are usually afforded similar protection under civil service and teacher tenure laws. The restriction of this protection to organized workers and government employees has rarely been questioned. This might be somewhat understandable if unions were as pervasive in the United States as in some other industrialized nations where a substantial majority of all employees belong to labor organizations. However, since only about 25 percent of U.S. workers are covered by collective bargaining agreements, it is indeed strange that relatively little attention has been paid to the fact that a majority of all private-sector employees—numbering over 50 million people—may, in the language of a recent court decision, be discharged "for any or no reason."[1]

In recent years, a number of industrial relations scholars have called attention to the need for judicial or legislative action to protect all employees against unjust discharge.[2] However, thus far the courts have

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[1] *Geary* v. *U. S. Steel Corp.*, 456 Pa. 171, 319 A2d 174 (1975). Employees may of course appeal discharges covered by laws prohibiting discrimination on grounds of sex, minority status, age, union activity and by other specific anti-discrimination statutes.

[2] See, for example, C. W. Summers, "Arbitration of Unjust Dismissal: A Preliminary Proposal," *The Future of Labor Arbitration in America* (New York: Amer-

not heeded their advice and legislators, at both the federal and state levels, have not seen fit to deal with this problem.

Consider the following examples:

1. A truck driver is discharged for being involved in an accident. An arbitrator finds that the discharge was not for just cause because there is no evidence that the accident was the fault of the employee and that the employer discharged the employee because his insurance company threatened to cancel his accident policy if no action was taken against the employee. The arbitrator reinstates the grievant with back pay.[3]

2. An employee, whose job was to put trays containing parts of chickens into freezer bags as the trays came by on a conveyor, is fired for using profanity to her supervisor. She had complained about the speed of the conveyor belt and, when her foreman told her that she had to keep up, she responded "Damn it, I can't keep up." The arbitrator considers the penalty too severe and reinstates her without back pay.[4]

3. An employee is discharged for theft of company property on an anonymous tip leading to the finding of tools in the employee's unlocked car. The arbitrator finds there is no credible evidence to sustain the theft charge and reinstates the grievant with full back pay.[5]

These cases are typical of the thousands of discharge grievances brought before impartial arbitrators under collective bargaining agreements. There are, of course, many others in which the employer is found to have acted properly and the grievances are denied. Had these employees not been protected by negotiated grievance and arbitration procedures, they would not only have lost their jobs, but they would have been branded respectively as an accident-prone truck driver, a woman given to use of profanity in addressing a supervisor, and a thief. In looking for future work, they would have had to choose between trying to explain why they had been fired or falsifying their employment record, itself a cause for discharge. Indeed, many employers would not even consider hiring a person who had been discharged for cause from previous employment.

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ican Arbitration Association, 1976), pp. 159–96; C. J. Peck, "Unjust Discharges From Employment: A Necessary Change in the Law," 40 *Ohio State Law Journal* (1979), pp. 1–49.

[3] *P. J. Tito, Jr., Inc.*, 48 LA 188 (1967).

[4] *Cagle's Inc.*, 48 LA 972 (1967).

[5] *Owens-Corning Fiber Glass Corp.*, 48 LA 1089 (1967).

A Comparative View

The United States stands almost alone among industrialized nations in not providing statutory protection against unjust discharge or "unfair dismissal" as it is commonly called in most countries. Protection against unfair dismissal has been the subject of an International Labour Organization Recommendation, a Proposal for Legislation in the European Common Market, and statutes in individual countries in Western Europe.

Recommendation 119 on "Termination of Employment at the Initiative of the Employer" was adopted by the International Labour Organization on June 26, 1963, by a vote of 196 to 74 with 10 abstentions. It provides: "Termination of employment should not take place unless there is a valid reason for such termination connected with the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment or service."[6]

The Recommendation states that a worker who feels that his employment has been unjustly terminated should be able to appeal the termination to "a body established under a collective agreement or to a neutral body such as a court, an arbitrator, an arbitration committee or a similar body." If the termination is found to be unjustified, the tribunal should be entitled to order that the worker be reinstated or be paid "adequate compensation" or other appropriate relief. Except for cases of "serious misconduct," a terminated worker should be given "a reasonable period of notice or compensation in lieu thereof." Dismissal for serious misconduct should be limited to cases "where the employer cannot in good faith be expected to take any other course." A worker accused of serious misconduct should be given an opportunity to state his case promptly, with the assistance of a representative where appropriate.

A 1976 Report of the European Commission drew attention to the variation in conditions, procedures, and legal consequences of dismissal provisions in Member States, and put forward proposals to serve as a basis for an EC directive on individual dismissals.[7] The Commission Report proposes that Member State laws and minimum standards be harmonized along the following lines:

1. Dismissal is justified only when "serious grounds" exist. "Serious grounds" is defined in terms of "urgent requirements

[6] "Employer Discipline: ILO Report," 18 *Rutgers Law Review* (1964), pp. 446–53.

[7] "EC Commission Proposals On Individual Dismissals," *European Industrial Relations Review*, No. 30 (June 1976).

of the firm," i.e., ". . . when it is impossible or unreasonable, for economic or technical reasons or for reasons connected with the person or behavior of the worker, for the employer to continue the employment relationship."

(a) Personal grounds shall be deemed to exist only when a worker has, over a long period of time, shown himself to be incapable of carrying out his duties.

(b) Behavioral grounds for dismissal presuppose a serious breach of a worker's obligations under the individual contract of employment.

(c) Even when grounds exist, dismissal should be a last resort. When dismissal is unavoidable, employers should take account of a worker's age, length of service, future job prospects, and family circumstances.

2. A worker is entitled to written notice and, on request, a written statement of the grounds for dismissal. He should also be advised of his legal remedies.

3. Except in cases of "summary dismissal," minimum notice of 30 days should be given.

4. Summary dismissal should be resorted to only if the worker is guilty of such a severe breach of his obligations under the contract of employment that the employer cannot reasonably be expected to observe a notice period.

5. The legality of every dismissal must, at the request of the worker, be examined by an independent body.

6. Protection against dismissal should be provided only to employees with at least six months service in the undertaking.

Protection against unfair dismissal is provided by statute in all Common Market countries and in Sweden and Norway.[8]

Most countries limit protection against unfair dismissal to employees who have completed a probationary period, usually six months. However, Sweden covers all workers except "supervisory and managerial" employees who are fairly high in the hierarchy, and Norway provides protection to all employees. Ireland excludes employees with less than one year of service. In Great Britain, the Conservative Government has raised the qualifying period from six to twelve months. Statutes in a few countries do not apply to employers with less than a minimum number of employees (5 in West Germany; 15 in Italy).

"Unfair dismissal" is defined in various ways: "socially unwarranted" in West Germany; not for "real and serious reasons" in France; not for "objectively valid grounds" in Sweden. In most countries, the burden of proving that a dismissal is "fair" rests on the employer. However, in

[8] *European Industrial Relations Review*, various issues, 1974–78.

France there is no clear onus of proof established by statute and in Britain, the Conservative Government has proposed "that the onus of proof as to reasonableness of a dismissal should be made neutral as between employer and employee."[9] An employee is entitled to be given reasons for dismissal, upon request, in all countries.

Advance notice, ranging from 40 hours to six months, is required for ordinary dismissal in all countries. However, advance notice is not required in cases of summary dismissal. In France, summary dismissal may only be for "flagrant" or "gross" misconduct. In Germany, dismissal without notice is permitted only when it is not reasonable to expect an employer to continue the employment relationship. Belgium limits summary dismissal to situations in which the employment is adjudged to be "immediately and definitely impossible." In the Netherlands, there must be "urgent cause" to justify summary dismissal. And in Norway, there must have been "a serious and fundamental breach of contract."

Reinstatement is rarely permitted and, where permitted, is rarely employed as a remedy by the courts which have jurisdiction over dismissal cases in most countries. Compensation is the most common remedy available to a worker who has been unfairly dismissed. The amount of compensation varies from one country to another. Six months' compensation in addition to notice payments is the maximum in several countries. Ireland, however, permits up to 104 weeks' compensation, Sweden up to 48 months' damages, and Norway provides for "reasonable" compensation with no upper limit.

Some Relevant Considerations

Robert Howlett will present "A Practical Proposal" for legislation in this session. There are, however, a few questions to be answered before considering ways of dealing with the problem.

How Significant Is the Problem?

There are no hard data which would permit us to determine accurately how many unorganized employees are dismissed without just cause in the United States during any given period. Indeed, we do not know how many discharge grievances are appealed to arbitration under collective bargaining agreements or what proportion are sustained. However, we do know that discipline and discharge questions are more frequently arbitrated than any other issue.

Apart from the logic and morality of affording protection against

[9] "Working Paper On Proposed Amendments to the Employment Protection Legislation," Department of Employment, September, 1979.

unjust discharge to all employees, there is evidence that the problem is one of considerable magnitude.

Of the 67 million private industry employees in 1977, some 17 million were covered by collective bargaining agreements, almost all of which include negotiated grievance and arbitration procedures. This leaves about 50 million unprotected employees.[10]

Unpublished data from the Bureau of Labor Statistics indicate that the annual discharge rate in manufacturing industries is about 4.6 percent.[11] There are no data available for other industries. Assuming that the nonmanufacturing discharge rate is approximately the same as in manufacturing and that there is no difference in the tendency to invoke discharge as between union and nonunion employers, there would have been about 2.3 million employees discharged for cause in 1977 by private-sector employers who were not unionized.

One could reasonably argue that employers should have complete freedom to dismiss employees who are still undergoing a probationary period without having to show just cause. In fact, most union agreements do not protect probationary workers against dismissal. Assuming a six-month probationary period, which is longer than is provided under most agreements, about 20 percent of all employees would not be entitled to protection.[12] Since probationary employees are much more likely to be discharged than longer service employees, I have also assumed that the discharge rate for these employees is five times that for nonprobationary employees. Given these conservative assumptions, I estimate that about one million private industry employees with more than six months' service were discharged in 1977 without the right to a fair hearing and a decision by an impartial tribunal as to the justness of their termination.

What Proportion of These Discharges Are Likely to Have Been Unjustified?

Nobody knows for sure. However, it would appear from published arbitration decisions that as many as half of all discharges appealed to arbitration are found to have been made without "just cause."[13] In such

[10] *Employment and Training Report of the President*, U. S. Department of Labor and U. S. Department of Health, Education and Welfare (1978), Table C-1, p. 262; *Earnings and Other Characteristics of Organized Workers, May 1977*, Report 556, U.S. Department of Labor, Bureau of Labor Statistics, 1979.

[11] J. L. Medoff, "Layoffs and Alternatives Under Trade Unions in U. S. Manufacturing," *American Economic Review* 69 (June 1979), p. 389.

[12] *Union Labor Report*, Bureau of National Affairs, May 10, 1979.

[13] F. Elkouri and E. A. Elkouri, *How Arbitration Works*, (3rd ed., Washington: Bureau of National Affairs, 1973), pp. 652–66; J. F. Holly, "The Arbitration of Discharge Cases: A Case Study," *Critical Issues in Labor Arbitration*, Proceedings of Tenth Annual Meeting, National Academy of Arbitrators (1957), pp. 1–17.

cases, arbitrators usually reinstate the grievant to his or her job with full, partial, or no back pay depending upon the circumstances of the case. It would be surprising if nonunion employers, who know that their decisions are not appealable to arbitration, would fare better at the hands of an impartial tribunal than union employers who know that there is a strong likelihood that they will have to persuade an arbitrator of the fairness of their discharge decisions. Unfortunately, there are no statistics on the proportion of all discharges that are appealed to arbitration under collective bargaining agreements. Assuming that one-third of all discharges are appealed to arbitration, which may be an underestimate in view of increasing union concern over unfair-representation complaints brought by members; and assuming further that nonunionized discharged employees would appeal and win their cases in the same proportion as unionized workers, some 150,000 to 200,000 of them would have been reinstated to their former jobs in 1977, if they had had recourse to an impartial tribunal. There is no reason to believe that 1977 was an atypical year.

Why Should Protection Against Unjust Discharge Be Treated Differently Than Other Contractual Advantages of Union over Nonunion Employees?

In principle, employees should be protected against all unjust discipline. However, I favor limiting initial statutory protection to discharge because it is the most severe penalty that an employer can assess against an employee. Not only does a discharged employee lose a job and the income and benefits that go with it; but, in addition, being fired may stigmatize an employee both as a worker and as a person. Typical reasons for discharge include: excessive absenteeism and/or tardiness, loafing or sleeping on the job, leaving work without permission, fighting, insubordination, use of profanity or abusive language to supervision, falsifying records, theft, dishonesty, disloyalty to the employer, incompetence, negligence or carelessness in work performance, gambling, possession or use of drugs or alcoholic beverages, chronic alcoholism, etc.

It is not surprising that employers may be reluctant to hire workers who have been discharged from previous jobs for one or more of the above reasons. As a result, discharged employees have difficulty finding new jobs and may have to accept less attractive employment than their education, training, and skill would otherwise warrant. Furthermore, in a work-oriented society such as we live in, being fired from a job can affect a person's relationships with spouse, family, friends, and the community, not to speak of the effect on one's own feelings of self-

worth. In short, the consequences go far beyond the economic and other work-related disadvantages that may flow from working for a nonunion as opposed to a union employer.

Why Can't Employers Establish Procedures to Protect Against Unfair Dismissal on Their Own?

Many nonunion employers have recognized the need for procedures whereby employees can complain against unjust treatment by supervisors. The Bureau of National Affairs (BNA) recently published the results of a survey among nonunion companies regarding recourse provided their employees who feel that they have been disciplined unfairly. The BNA found that most of the 128 responding companies have a mechanism for employees to appeal disciplinary actions. But less than half have a formal complaint procedure, and often the procedures are not used. The major problems reported with procedures by the companies were delay in getting complaints resolved and employees' fear of reprisal from supervisors. Only two of the companies provided for outside arbitration as a final step in the complaint procedure, but neither company reported any experience with arbitration.[14]

While these efforts by nonunion employers are meritorious, almost all lack the essential element of credibility among employees because they have been unilaterally instituted and, more important, the final decision on all complaints is made by management. No matter how well-intentioned, sincere, and honest their efforts, management decisions cannot have the acceptability of judgments made by an outsider with no ties to the company.

Conclusion

In discussing this subject before various groups, I have yet to find any one who takes issue with the principle that employees should be entitled to protection against unjust discharge. The questions most frequently raised are: (1) What evidence is there that employees need such protection? (2) How much will it cost?

I have tried to respond to the first question by showing, on the basis of available data and relatively conservative assumptions, that more than a million employees with at least six months' seniority are being deprived of their jobs each year without due process. Even if—contrary to my assumptions—the discharge rate in nonmanufacturing is lower than in manufacturing, nonunion employers are less prone than union employers to discharge employees without just cause, the discharge rate for proba-

[14] *Policies for Unorganized Employees*, PPF Survey No. 125, Bureau of National Affairs, April 1979.

tionary employees is greater than five times that of employees with more than six months of service, and the proportion of discharges appealed to arbitration is less than one-third of the total, there would still be thousands of employees fired each year without just cause.

Consider the attention given by the media and Congress to employees who lose their jobs because they engage in political activities which are objectionable to their employers, or who "blow the whistle" on corporations knowingly producing and selling defective products or violating environmental protection laws, or who otherwise exercise their constitutional right of free speech and assembly. Certainly these employees deserve to be protected, and there is already a move afoot to legislate in this area. I would point out, however, that by providing due process for *all* discharged employees, we would be protecting not only the small number of activists mentioned above, but also thousands of others who are just as deserving of protection.

The cost of providing due process for discharged employees will depend on the specific provisions of the legislation and how many employees avail themselves of the protection. A few years of experimentation, possibly with different state statutes, will be necessary before accurate cost estimates can be made. We have long since determined that administration of laws dealing with wages and hours, equal employment opportunity, environmental protection, consumer protection, and private- and public-sector labor-management relations are proper government functions. Protection against unjust discharge, which is already available to one-third of U. S. employees and is provided in other industrialized nations, is equally justifiable on moral, social, and economic grounds.

Due Process for Nonunionized Employees A Practical Proposal

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At the 1974 meeting of the Society of Professionals in Dispute Resolution, I proposed "that all employees in unorganized enterprises be protected against discharge" under a "just cause" principle.[1] Ben Aaron discussed the emerging court recognition of constitutional and other rights against unjust dismissal, principally in the public sector.[2] Other commentators have discussed the unjustness of the law whereby "at will" employees have no protection against arbitrary, capricious, unfair, and discriminatory discharge, except discharges protected by federal and state statute.[3]

The courts are beginning—tentatively—to recognize rights in employer-employee relations not created by statute or contract. The cases hold that an employer may not terminate an employee "at will" for a reason contrary to "public policy." Thus, an employee may not be discharged for filing a workers' compensation claim;[4] for spurning her supervisor's sexual advances;[5] for refusing to commit perjury at the employer's request;[6] for serving as a juror contrary to his employer's wishes;[7] or for

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[1] "The Forgotten Man," in *New Techniques in Labor Dispute Resolution* (Washington: BNA, 1976), p. 25; 583 GERR E2 (December 2, 1974).

[2] *New Techniques* . . . , p. 13, note 1; 583 GERR E7 (December 2, 1974).

[3] Cornelius J. Peck, "Unjust Discharges from Employment: A Necessary Change in the Law," 40 Ohio State L.J. 1 (1979); Clyde Summers, "Individual Protection Against Unjust Dismissal: Time for a Statute," 62 Va. L. Rev. 481 (1976); and Summers, "Arbitration of Unjust Dismissal: A Preliminary Proposal," in *The Future of Labor Arbitration in America* (New York: AAA, 1976), p. 159.

[4] *Sventko* v. *The Kroger Co.*, 69 Mich.App. 644, 245 N.W.2d 151 (1976); *Frampton* v. *Central Indiana Gas Co.*, 260 Ind. 249, 297 N.E.2d 425 (1973). See Annotation on "Workmen's Compensation: Recovery in Retaliation for Filing Claim," 63 A.L.R.3d 979, which discusses other cases enunciating the same rule. *Loucks* v. *Starr City Glasgow Co.*, 551 F.2d 745 (7th Cir. 1977), applying Illinois law is contrary to *Sventko* and *Frampton*.

[5] *Tash* v. *Houston*, 74 Mich.App. 566, 254 N.W.2d 579 (1977). The court opined that the conclusion that an employee at will may be discharged "for any reason or for no reason, the motive of the employer being immaterial . . . is too broad." See also *Monge* v. *Beebe Rubber Co.*, 114 N.H. 549, 315 A2d 549 (1974).

[6] *Petermann* v. *Int'l Bhd. of Teamsters*, 174 Cal.App.2d 184, 344 P.2d 25 (1959).

[7] *Nees* v. *Hochs*, 272 Or. 210, 536 P.2d 512 (1975).

refusing to manipulate and adjust pollution control reports required to be filed with the state pursuant to statute.[8]

Courts have also held that a forfeiture clause in a profit-sharing plan is contrary to public policy and unenforceable when an employee is discharged without cause under a contract at will.[9]

A particularly interesting case is *Morvay* v. *Maghielse Tool & Die Co. Inc.*, 88 LRRM 3101 (W.D. Mich., 1974) (not officially reported). An employee in a nonunion plant was discharged for insubordination; he sued for damages, alleging a "contract" between his employer and its employees. The "contract" was a document entitled "General Information on Working Conditions and Regulations for Hourly Paid Employees," adopted at the request of a "shop committee," and signed by the employer's president and members of the shop committee. The court found a contractual relationship and said: "When, as in the instant case, an employer over a period of time develops procedures and guidelines, some of which affect the workers' job security, seniority and retirement, then, if necessary, a court will step in and enforce these agreements."

The courts, in the foreseeable future, are unlikely (law review articles to the contrary notwithstanding) to expand the "just cause" doctrine to include discriminatory, arbitrary, capricious, unfair, or unreasonable discharge or discipline. Furthermore, a damage action (as most of the cases are) does not return an employee to his job.

Some employers of unorganized employees have established formalized complaint procedures. The Bureau of National Affairs' Personnel Policies Forum for April 1979 (PPF Survey No. 125) described "Policies for Unorganized Employees."

The American Arbitration Association (AAA) has recently become interested in the arbitration of employment rights claims of unorganized employees. AAA President Robert Coulson has prepared a paper for Prentice-Hall, Inc., entitled "How to Arbitrate the Employment Rights Claims of Individual Employees." Coulson discusses: (1) protection of employees by personnel procedures and statutes; (2) arbitration in the nonunion context; (3) selection of an arbitrator and arbitration procedures, including discovery and rules of evidence, transcripts, and briefs; (4) powers of the arbitrator; and (5) enforceability of an award.[10]

AAA has published "Employment Arbitration—Plain and Fancy" which describes procedures for unilaterally adopted arbitration.

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[8] *Trombetta* v. *Detroit T. & I.R. Co.*, 81 Mich.App. 489, 265 N.W.2d 385 (1978).

[9] *Morse* v. *McDermott & Co.*, 344 S.2d 1353 (La. 1977), *Knollmeyer* v. *Rudco Indus. Inc.*, 154 N.J.Super. 309, 381 A.2d 378 (1977).

[10] See also Coulson, "Arbitration for the Individual Employee," *Employee Relations Journal* 5 (Winter 1979–80), p. 406.

Valuable as unilateral programs are, they cover only a small percentage of unorganized employees. There are more unorganized than organized employees in the country, and it is unlikely that many employers will be persuaded to develop procedures voluntarily to protect employees against management discipline and discharge.

"If a "just cause" concept is to be extended to types of employer action other than those protected by statute and "public policy," the legislators must act.

The states, rather than the federal government, would appear to be the better forum. This would afford an opportunity for experimentation consistent with Mr. Justice Brandeis's pronouncement: "It is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country." [11]

Congress could act under the Commerce Clause, as it has done with the National Labor Relations Act (NLRA) and other statutes. There appears to be no constitutional barrier to state action, absent future federal preemption.

State Action

One state has made abortive efforts at legislation.

In Connecticut, bills were introduced in 1973 (Committee Bill No. 8738) and 1975 (Committee Bill No. 5151) to provide for "just cause" protection to unorganized employees.

In South Carolina, the Department of Labor pursuant to statute[12] mediates disputes between private and public employers and unorganized employees where involuntary terminations, unfair hiring practices, unfair promotional practices, and class actions are involved.

In 1978, the Canadian Labour Code was amended (Part III., DIV V.7) to afford protection against "unjust dismissal" by employers covered by the Labour Code. The amendment provides for arbitration by an "adjudicator" who may order (1) compensation; (2) reinstatement; and (3) "any other like thing that is equitable to require the employer to do in order to remedy or counteract any consequences of the dismissal." An adjudicator's decision is not reviewable "in any court." There were 11 adjudicators' awards during the first year of the program.

What should be included in legislation to protect employees from unjust discharge and discipline? As in all legislation, the supporters must assess the political climate and strive for the "possible."

[11] *New State Ice Co. v. Leiberman*, 285 U.S. 262, 311, 52 S.Ct. 371, 76 L.Ed. 747, 771 (1932) [dissenting opinion].

[12] Title 40, Ch. 8, Code of Laws of South Carolina, SLL 51:221.

Categories of Employees to Be Included

Length of Service

Probationary periods are common under collective bargaining agreements. Coverage under the act should be limited to employees who have developed some seniority with an employer. I suggest one year. By that time, an employee who has not performed at least reasonably well will have been terminated.

Supervisors

Anyone experienced in employer-employee relations knows that some of the most arbitrary and capricious discharges are those visited on supervisors. However, if legislation is to be enacted, it is advisable to exclude supervisors as defined in NLRA. Opposition of business representatives may be softened if supervisors are excluded.

Public Employees

There are two reasons (neither conceptual) to exclude public employees. First, public employees have protections, unavailable to private-sector employees, through court-enforced constitutional rights, civil service, and in the case of public school teachers, tenure acts. Second, political opposition to the statute will be intensified if an attempt is made to include public employees.

Administration of the Process

Nearly 40 states have agencies which administer public-sector employer-employee relations statutes and a few states have private-sector statutes. The act could be administered by the existing labor relations agency. I think there is merit, however, in placing jurisdiction under a Department of Labor or Department of Labor and Industry. There may be less political opposition to enactment if administration is separated from the employer-union relationship procedure. In addition, mediators and administrative law judges who deal with representation and unfair labor practice issues are experienced in and used to organizational, as distinguished from individual, procedures.

The statute should provide for a written request addressed to the administering agency. No filing fee should be required.

Coverage

Acts covered should include: (1) discharge and other involuntary termination, including termination alleged to be voluntary; (2) disciplinary suspension; and (3) promotion and demotion.

If disciplinary suspensions are not included, an employer could impose a lengthy suspension which would, in fact, be a discharge. The inclusion of promotions and demotions may excite political opposition. However, employees can be—and are—"punished" by demotion and refusal to promote.

With one caveat, I would exclude discrimination cases covered by statute, unless employer and employee agree to use of the process. However, complete exclusion is not possible as there are cases where a reason advanced for discipline or discharge is a cover-up for discriminatory action. In such cases, the process should be applicable, recognizing that under *Alexander* v. *Gardner-Denver*, 415 U.S. 36, 94 S. Ct. 1011, 39 L.Ed. 2d 147, 7 FEP Cases 81 (1974), an employee has a right to institute court action following arbitration.

Mediation

The primary procedure for unresolved grievances should be mediation.[13] As discussed above, I think it advisable not to use mediators from the agency which performs this service in collective bargaining relationships.

In a number of states, including Michigan, staff mediators perform a significant amount of grievance mediation.

Mediators serving in the nonorganized area can be expected to take affirmative positions more often than mediators in collective bargaining relationships. They will, more than in the organized sector, serve as "informal" arbitrators in grievance administration.[14]

Impasse Resolution after Mediation

What if mediation does not resolve the disagreement? There are three possibilities: (1) end the procedure with mediation; (2) submit the dispute to fact-finding; or (3) submit the dispute to arbitration, either directly or following fact-finding.

Mediation, without more, is better than nothing. However, there cannot be a true determination of "just cause" for discipline or discharge without a quasi-judicial or judicial procedure.

[13] A statute by reason of its enactment will result in fewer discharges and less severe disciplinary action by employers. It will also result in discussion and investigation of discharge and discipline by top employer officials. As in top management participation under collective bargaining agreements, grievances will be resolved before mediation and arbitration.

[14] Michigan state mediators perform a substantial amount of grievance mediation. They listen to "evidence" presented by an employer and a union. They offer affirmative suggestions for settlement. During my service as a member of the Michigan Employment Relations Commission, I frequently discussed cases with the five staff mediators directly under my supervision. In many cases, the mediator's recommendations were accepted by the parties, thus securing "arbitration" without cost.

Patently, arbitration is the better terminal process. But political realities may dictate only fact-finding.

The unions perform a screening process by deciding whether a complaint not resolved during the grievance procedure shall be submitted to arbitration. Under collective bargaining, an employee does not have power to submit his case to arbitration.[15]

The administering agency should provide for a screening process before fact-finding or arbitration through an official who, like an examining magistrate or regional director of the National Labor Relations Board (NLRB), decides whether there is cause to believe that the grievance has merit. An affirmative decision will result in the case proceeding to fact-finding or arbitration.

Selection of the Arbitrator

Some state agencies maintain panels of arbitrators. Or, a state could employ the services of the AAA; or the Federal Mediation and Conciliation Service might be willing to perform this function for a state.

An alternative is to have the state employ a full-time hearing officer, or a hearing officer performing another quasi-judicial function until it is determined how heavy the case load will be. Another alternative is a full- or part-time hearing officer, and ad hoc arbitrators for overloads.

Payment for the Arbitration

This is a key political consideration. There will be opposition on the ground that the cost of arbitration is unknown, and could be great, although excessive cost seems unlikely if there is adequate screening. However, if a state is interested in "justice," cost considerations should be weighed against expected fair and equitable results.

Court systems are expensive, but justice for a state's citizens requires that the taxpayers pay this cost.

If the reviewing officer decides that the grievance is sufficiently meritorious to proceed to fact-finding or arbitration, the employee should be required to pay a small fee ($50 to $100).

Presentation of Cases to Fact-finding or Arbitration

An experienced official of the administering agency should be assigned to present the grievances to fact-finding or arbitration. In a number of states, including Michigan and Wisconsin, unfair labor practice

[15] Except perhaps in New Jersey where the state supreme court in dicta said that an individual employee has the right to require that a case be submitted to arbitration. *Donnelly* v. *United Fruit Co.*, 40 N.J. 61, 190 A.2d 825, 50 LRRM 2856 (1963).

cases are presented by charging parties, generally through a union represented by a lawyer or staff official. Individual employees seldom have the competence necessary to marshall evidence and present it effectively. The statute should authorize the arbitrator to direct reinstatement or award damages, and additional remedies as under the Canadian Labour Code.

Conclusion

A bill to provide the basic right of fair treatment to employees in nonorganized enterprises does not have much political attraction for legislators. Unorganized employees have no formal groups; hence, they have little impact on elections. However, there may be legislators who believe in individual human rights and who have the "guts" and ability to take such a bill and develop a "common man" lobby. Such a legislator might become a hero and, if not, his effort would help him to continue his legislative career with a clear conscience and with the knowledge that he is promoting justice and equity for a group for which it does not exist and which has no "special interest" political influence.

Mediation of Unfair Dismissal Grievances: The British Example*

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This paper looks at how a relative newcomer—the United Kingdom—devised its legal protection against unfair dismissals in 1971, and how its system of tripartite industrial tribunals and prehearing conciliation works. In Britain today, *every* employee with at least one year of service is protected against unfair dismissal. After an analysis of that British system, suggestions as to what America can learn for its own programs in this area are provided. First-hand knowledge of the British system was obtained during six months' service as a representative of the Federal Mediation and Conciliation Service (FMCS) in 1978 to the British Advisory, Conciliation and Arbitration Service (ACAS), an agency that encompasses the functions of the FMCS, National Labor Relations Board, National Mediation Board, Federal Labor Relations Authority, and parts of the Department of Labor, as well as other roles not performed by these agencies, including the conciliation of unfair dismissal grievances.

Reasons for the Legislation

The thrust for action on unfair dismissals had both an individual-rights and an industrial-relations-reform component to it in Britain, unlike the United States, where the push is coming mainly from civil liberties groups. The Donovan Commission in 1968 recommended giving workers a legal right against unfair dismissal because, it argued, such a right would improve employment security, would encourage procedural reforms, and might check industrial disputes about dismissals.

The problem of work stoppages over dismissals was one of the issues that in 1965 prompted establishment of a Royal Commission on Trade Unions and Employers' Associations (the Donovan Commission) to

* The author wishes to thank the entire staff at the British Advisory, Conciliation and Arbitration Service for their assistance. In addition, special thanks to Moira Hart, Research Associate, Industrial Relations Research Unit, Warwick University, Coventry; Professor Steven Anderman, School of Law, Warwick University; Michael Mellish, Principal, Department of Employment, London; and Peter Carr, British Labor Attache, Washington, D.C. Any errors, comments, or opinions, however, are my own.

study all aspects of labor and management relations. In Britain at that time, unlike the United States, there was neither a positive statutory right to organize or bargain nor regulation of the process. Nonetheless, more than 50 percent of the work force were union members and about two-thirds of the working population were covered by collective bargaining arrangements. Unlike the American unionized sector, however, the British do not differentiate between disputes over interests and those over rights; unions can and do call industrial actions over disputes which might be classified as grievances here and subject to arbitration. There is no similar strong tradition of grievance arbitration nor detailed collective agreements which relate to conditions on the shop floor.

The protection for unfair dismissal became part of the Conservative government's legislative "package" in 1971 whereby the government hoped that if certain positive protections were given, the trade unions would also agree to accept responsibilities and regulations of their activities, as well as to making their collective agreements legally enforceable. Only this section on individual rights has survived through changes in administration in Britain, albeit undergoing a number of amendments and refinements, including suggested proposals by the government for the end of this year.[1]

[1] For background, see Brian Weekes, Michael Mellish, Linda Dickens, and John Lloyd, *Industrial Relations and the Limits of Law* (Oxford: Basil Blackwell, 1975), esp. pp. 1–11. Before the 1971 law, the only portection against dismissal came from common law, which allowed a worker who was wrongfully dismissed without proper notice or pay in lieu of notice to make a claim for compensation through the courts. The 1971 Industrial Relations Act gave workers the right not to be wrongfully dismissed. These provisions were retained when the act was repealed and were placed in the Trade Union and Labor Relations Act of 1974. Further amendments were made in the 1975 Employment Protection Act, and the legislation was consolidated in the Employment Protection (Consolidation) Act of 1978, which became operative on November 1, 1978 and brought together in one piece of legislation employment rights for individuals which were previously contained in the Redundancy Payments Act 1965, the Contracts of Employment Act 1972, Trade Union and Labor Relations Act 1974, and Employment Protection Act 1975. What constitutes an unfair dismissal? To avoid a preliminary finding of unfairness, the employer must establish that his reason was one of the following: related to the employee's capability or qualifications or related to the employee's conduct; the employee was redundant (economic layoff); the employer was prohibited by statute from continuing to employ the individual; or some other substantial reason. Dismissal for trade union activity or being pregnant are among the reasons not allowed. The employer must show that it acted reasonably and followed procedures. The government's Employment Bill, published in early December 1979, contains certain controversial proposals to make unfair a wide range of dismissals for nonmembership in a union where a closed shop exists. It also removes the employer's second burden —to prove it acted reasonably—and places that on the tribunal, not the employee. The employer must still prove the reason for any dismissal. The Bill exempts new firms with less than 20 employees for their first two years as employers, and it allows the tribunals to reduce the basic award (two weeks' pay) on grounds of employee's conduct before or after dismissal.

How the British System Works

Britain uses a system of industrial tribunals to resolve unfair dismissal complaints, a system originally established in 1964 to hear employer appeals concerning industrial training funds. These tripartite tribunals, which are informal labor courts, have expanded their jurisdiction and caseload to cover 13 statutes, and they handle about 46,000 applications a year. Since February 1972, when the unfair dismissal part of the law went into effect, about 80 percent of the tribunals' caseload has concerned unfair dismissals.[2]

These tripartite tribunals are independent judicial bodies. They consist of a legally qualified chairman (a barrister or solicitor of seven years' standing) and two lay members, one appointed after consultation with the employers' association and the other after consultation with trade unions. On average, 74 tribunals currently sit in Britain every working day. There are 79 full-time chairmen and 2448 lay members, with 1137 appointments made pursuant to nominations by the unions and an equal number by the employers' associations. Such tribunals now cost some £5 million ($10 million) a year to operate.

The workload of the tribunals is reduced by a screening and conciliation process of an independent agency, ACAS (Advisory, Conciliation and Arbitration Service). In 1978, for example, according to the ACAS annual report, only 37 percent of cases filed with the tribunal actually went forward to the tribunal for a hearing, while of the 63 percent cleared without reference to a tribunal, 34 percent were settled by conciliation, 4 percent were settled privately, and 25 percent were withdrawn.[3]

There are 200 ACAS conciliation officers throughout the country. This function accounts for 55 percent of the agency's field operations budget. ACAS conciliation officers are involved in most complaints concerning statutory rights; about 90 percent of the workload, however, is concerned with unfair dismissal complaints.

The conciliation process is voluntary and confidential. Nothing is

[2] See K. W. Wedderburn and P. K. Davies, *Employment Grievances and Disputes Procedures in Britain* (Berkeley: University of California Press, 1969); Linda Dickens, "Unfair Dismissals Applications and the Industrial Tribunal System," *Industrial Relations Journal*, 9 (Winter 1978/79); Paul L. Davies, "Arbitration and the Role of the Courts: The Administration of Justice in Labour Law," 9th Congress, International Society for Labour Law and Social Security, Munich, September 12–15, 1978, *Reports and Proceedings* (Heidelberg: Verlagsgesellschaft Recht und Wirtschaft MBH, 1978), pp. 281–346; and Department of Employment, *Gazette* (September 1979), p. 866; and Hansard, June 9, 1978.

[3] ACAS has prepared a booklet that explains its operations during the individual conciliation process; see *Conciliation in Complaints to Industrial Tribunals* (London: HMSO, 1979), and *Annual Report*, 1978 (London: HMSO, 1979), pp. 40–44, 73–109.

communicated to the tribunal. Although guidance may be given on possible settlement terms, the conciliation officer may not impose or even recommend a particular settlement. (The term "mediation," while used interchangeably with "conciliation" in the United States, in the U.K. implies the possibility of a recommendation, usually by a non-government person. It is therefore "conciliation" as described above that is practiced by ACAS.) Most individual conciliation is conducted through meeting the parties separately rather than through the more common joint meetings in collective labor disputes.

ACAS advisers are also available to instruct employers and unions about how to develop better dismissal and other procedures. A Code of Practice has been developed which, while not legally binding, is considered by the tribunals. The code stresses that if the employee receives a warning, if discipline is meted out uniformly, if the employee has a chance to respond—unfair dismissals will be less likely.

The tribunals' caseload since 1972, while increasing dramatically, has been manageable because the ratio of 60 percent of the cases settled in the conciliation stage to 40 percent heard has been constant. Of those cases that did go to the tribunal, in only one-third were the complaints upheld by the body. Indeed, employers have consistently won about two-thirds of the cases each year.

The most usual remedy in Britain for unfair dismissal is financial compensation. A return to work is less frequently suggested.[4] The average compensation awards and monetary settlements are quite low. For tribunal awards, the median was £375, or $750. For conciliated settlements, the amounts were even lower, with 75 percent below £300, or $600.

Very few cases, about 5 percent, are appealed (available on points of law only) to a tripartite Employment Appeals Tribunal. And only a fraction of those appeals result in reversals. In rare instances, there is recourse to ordinary appellate courts—the Court of Appeal and the House of Lords.

In the majority of unfair dismissal cases, the conciliation officer deals directly with the employee and a member of management. However,

[4] The remedies available include reinstatement (re-employment in the same job as if the employee had never left), re-engagement (re-employment with the same employer under different conditions or in a different job), or compensation. Compensation consists of a basic award (an amount calculated as the full equivalent to the employee's entitlement as a redundancy payment) and a compensatory award for the loss suffered because of the termination. There are financial limits to both awards as well as other limits and reductions if the employee contributed to his dismissal, and what efforts he has made to mitigate his loss. If the employer refuses to obey the tribunal's "order" of reinstatement or re-engagement, he is not in contempt of court but must pay a financial settlement set by the tribunal. Thus the penalty for noncompliance is exclusively financial.

the parties may nominate representatives to act in their behalf during conciliation and during the tribunal hearing. The employer's representative is most likely to be a lawyer (45 percent of the time) and, less frequently, an official of his employers' association (15 percent of the time). The employee's representative is also most likely to be a lawyer, but sometimes it will be a trade union official (20 percent of the time), a relative, or a friend. Individuals do not receive legal aid for the hearing. Indeed, only $50 for legal preparation is provided by the government.

What is a tribunal hearing like? It is orderly, but informal, and in many ways resembles American arbitration, with witnesses and cross-examination. The lawyer who chairs the hearing usually does the talking and is relied upon for points of law, while the two wingmen or women provide industrial relations expertise. Most hearings are held in public. Many are covered by the local press. The entire process takes six months. The filing by the employee is accomplished in a maximum of three months; after ten weeks there is a hearing, which usually lasts only one day. The employee learns the decision within three to six weeks.

Evaluation of the U.K. System

How well is the British system for unfair dismissals working? Certainly many have criticized the system—from small businessmen who feel that they cannot hire and fire anyone anymore and must spend precious time and money on record-keeping, personnel practices, courtroom appearances, and attorneys fees, to attorneys who feel that there should be legal aid for them and more rigorous legal procedures followed as well as higher settlements. Some union leaders have also stated that compensation awards are too low and the procedures are too legalistic. Civil liberties advocates have said that employees may not be aware of all their rights and settle too soon in the conciliation stage without pursuing adjudication. American observers, like myself, have wondered why reinstatement is not used more often as a remedy or why it is not sought by the employees. Indeed, the tribunal cannot force reinstatement and must determine whether or not it is a practical option.

But the unfair dismissal procedures in Britain have had some clear benefits. Professor S. D. Anderman, for example, has noted that the procedures have reduced the frequency of strikes over dismissals and represent an improvement in an area where employees have felt wrongly treated. Since 1974, cases involving trade unions have come to industrial tribunals in increasingly large numbers and voluntary disciplinary pro-

cedures have proliferated.[5] Indeed, until late this year, not one union or industry decided to opt out of the statutory procedures for unfair dismissal. On the employer side, the encouragement of reform and formulation of dismissal and discipline procedures, the increase in bookkeeping costs, and more careful attention to recruitment have been cited as results of the law. And the results of a study of firms with fewer than 50 employees counter the suggestion that unfair dismissal legislation has had a massive and widespread effect on these firms.[6] The system also works because the British trade union movement supports it; surprisingly, in view of general impressions to the contrary, the trade unions, employers' associations, and the state often work together for certain common goals.[7] This participation and acceptance within the British system explains why there is no perceived threat by extending protection to nonunionized employees.

Part of the criticism comes from the drastic increase in caseload beginning in 1972 (complaints have risen from 5000 to 45,000 a year). This rise can be explained by four factors. First, the length of service with an employer required before a complaint could be made was reduced from two years to one year in 1974, and to six months in 1975 (it was just changed back to one year on October 1, 1979 and trade unions expect a reduction in caseload of from 20 to 25 percent). The time limit for filing a complaint was increased from four weeks to three months in 1974 and the exclusion of employers with four or less employees was narrowed to all employers with one or more employees in 1976. Next, the protection for employees increased with new jurisdictions involving protection against discrimination on the basis of sex (1976) and race (1977). Lastly, the longer the legislation has been in force, the more likely are potential applicants to be aware of their rights.

Nonetheless, it is estimated that about 2.5 percent of all dismissals result in an application being registered at an industrial tribunal claiming unfair dismissal. In practice, the legislation has been used by the predominantly nonunionized worker and in predominantly weakly organized industries such as distributive trades, construction, and miscel-

[5] See Steven D. Anderman, *The Law of Unfair Dismissal* (London: Butterworths, 1978), pp. 2–5.

[6] See W. W. Daniel and Elizabeth Silgoe, *The Impact of Employment Protection Laws* (London: Policy Studies Institute, June 1978), for an analysis of the impact of unfair dismissal legislation on firms employing 50 to 5000 people in manufacturing. For firms with less than 50 employees, see Richard Clifton and Charlotte Tatton-Brown, *Impact of Employment Legislation on Small Firms* (U.K., Department of Employment, July 1979).

[7] A. W. J. Thomson, "Trade Unions and the Corporate State in Britain," *Industrial and Labor Relations Review* 33 (October 1979), pp. 36–54.

laneous services. It is not the large employer which generally is involved, but the smaller firm with under 100 employees.

Lessons for the United States

To date, unionized employees in the United States are believed to have the best protection and remedies against unjust dismissal, but employees in the United States who do not have arbitration available are almost alone in not having any general protection against dismissal without notice and without cause.[8] Yet in Britain, a system currently exists whereby *all* employees can get some justice. Will the United States follow Britain's as well as other European countries' example? Since the majority affected are not organized and no major group is lobbying for such an innovation, it would seem unlikely. However, law professors Peck and Holloway think the change will come through the courts.[9] Professors Summers and Stieber appear to have opted for the legislative route.[10]

If recourse in cases on unfair dismissal grievances does come to pass in the United States, should we adopt the British system, court hearings, or arbitration as is the current procedure in the unionized sector? In the United States, Professors Summers and Stieber have advocated legis-

[8] See Ronald E. Berenbeim, *Nonunion Complaint Systems: A Corporate Appraisal* (New York: Conference Board, forthcoming). In a survey of 778 companies employing more than 9.2 million people, about half had nonunion complaint systems. However, unless the system provides for arbitration (in only four instances) employees will rarely contest terminations or discipline. See also David W. Ewing, "What Business Thinks of Employee Rights," *Harvard Business Review* (September-October 1977); William H. Warren, "Ombudsman Plus Arbitration: A Proposal for Effective Grievance Administration Without Public Employee Unions," *Labor Law Journal* (September 1978), pp. 562–69; J. H. Foegen, "An Ombudsman as Complement to the Grievance Procedure," *Labor Law Journal* 23 (May 1972), pp. 289–94.

[9] See William J. Holloway, "Fired Employees Challenging Terminable-at-Will Doctrine," *National Law Journal* 11 (February 19, 1979), pp. 22, 26; Doug Lavine, "Suits by Nonunion Workers Against Employers Mount," *National Law Journal* (July 9, 1979); and Cornelius J. Peck, "Some Kind of Hearing for Persons Discharged from Private Employment," *San Diego Law Review* 16 (1979), pp. 313-24.

[10] See Clyde W. Summers, "Arbitration of Unjust Dismissal: A Preliminary Proposal," in *The Future of Labor Arbitration in America*, eds. Benjamin Aaron et al. (New York: American Arbitration Association, 1976), pp. 159–96; and "Individual Protection Against Unjust Dismissal: Time for a Statute," *Virginia Law Review* 62 (1976), pp. 499–508. See also Jack Stieber, "Speak Up, Get Fired," *The New York Times*, June 10, 1979, p. E-19; "Protection Against Unfair Dismissal," MSU School of Labor and Industrial Relations *Newsletter* 17 (Fall Quarter 1978), pp. 4–6; "Protection Against Unfair Dismissal: A Comparative View," paper presented to International Industrial Relations Association, 5th World Congress, Paris, September 5–7, 1979 (mimeo); "Protection Against Unfair Dismissal," paper prepared for the 2nd National Seminar on Individual Rights in the Corporation, June 25, 1979 (mimeo); and see Robert Coulson, "Remarks on the Extension of Grievance Arbitration to Nonunion Workers," *Daily Labor Report* #123, June 25, 1979, p. D-1; Robert Abelow, "A Proposal to Protect Nonunion Employees," *Employee Relations Law Journal* 1 (Spring 1976), pp. 521–22.

lation to set up an arbitration system for settling unfair dismissal grievances. Yet the British system is less expensive and it is faster. In the United States, a union may spend $1000 for a traditional one-day arbitration and the procedure may take up to 12 months.[11]

But if the United States does decide to try a tribunal system of courts, are there modifications that should be made on the British system? For example, in a number of countries (not the U.K.), the person who tries to conciliate, if he or she fails, will make the award. Should the conciliator be completely independent of the tribunal process or part of it? Should the conciliator have the authority to actually investigate the complaint, to be a fact-finder? How persuasive and how legally knowledgeable should the conciliator be?

The United States would need a similar first-step screening procedure to avoid the feared inundation of unfair dismissal complaints that, indeed, if brought to a tribunal or arbitration, would clog the system. We have not made widespread use of grievance mediation in unionized settings, preferring instead the internal steps used by labor and management before the arbitration procedure.

Just as the date of the arbitration hearing in the U.S. often produces a more settlement-oriented stance as it approaches, so too conciliation officers have found that both sides think more seriously about settlement out of court, just before the tribunal hearing. That hearing date is set independent of the conciliation process and will be postponed only if both sides agree. Furthermore, in Britain, if a conciliation agreement is signed, the process ends; the employee is barred from going to the tribunal. This avoids "two bites of the apple"—that if an employee is unhappy with the conciliation agreement, he or she can go to the tribunal.

Until the United States implements a standard system for legal protection against unjust employment dismissals, these questions are just theoretical issues. But sooner or later, as other industrialized countries demonstrate that such a right can be exercised without abuse, there may be more receptivity for the proposal here. Moreover, such other innovations as a national system of government payments for economic layoffs and plant closings (what the British call redundancy payments), national health insurance, and government subsidy of ailing industries and companies, are all practiced in other industrialized countries and are either being considered or even tested here. In addition, the employee who is not a member of a protected class by virtue of race, sex, national origin, age, physical handicap, or union activity has begun to

[11] Benjamin Aaron, "Arbitration and the Role of Courts: The Administration of Justice in Labor Law," *Recht der Arbeit* (September/October 1978), pp. 289–90.

ask: What about me? The United States may catch up with its European counterparts in this area of employee rights.[12] It will be beneficial for us to modify the British system to fit our unique social and economic needs. But we should also consider improvements such as offering the employee who was unjustly dismissed reinstatement, reengagement, or financial compensation.

[12] Nigel Donaldson and Stephen Creigh, "Unfair Dismissal Provisions in Western Europe," Department of Employment *Gazette* (August 1979), pp. 757–61, 786.

DISCUSSION

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The question raised today is basically simple. Should management be allowed to impose the penalty of discharge without an employee having some right to impartial review and judgment? The authors of the papers presented here all appear to be in general agreement; if we allow the employer the power to discharge, it needs to be tempered by due process.

I think a majority of Americans would agree with this. And, if there were a balanced public discussion of the issue, opinion, in my judgment, would be overwhelmingly favorable. These proposals accord with our national sense of what is just and fair.

Yet, the opposition will be fierce and the outcome problematic. I would like to explore why this is true.

The first source of opposition is clear. Employers do not easily give up any of their power over individual workers. They hold strongly to what they consider their right to fire at will—to eliminate people considered by them as malingerers and incompetents.

If this were the only problem, I think it might be possible, in time—possibly a very long time—to convince many employers that this incursion into their prerogatives is not as serious as they imagined. And if they can prove their case—show just cause—their decision will be upheld.

However, the issue for many employers is a much different one. They see restrictions of their powers not as a matter of *individual* cases. It is not, for them, just a question of the penalty for John Doe's absences being overturned, or whether or not the total of such individual cases is scrutinized by arbitrators. In fact, these managements do not see it in terms of the *individual* employees at all, but something much more important.

For discipline, and particularly discharge, is not imposed only to punish this or that infraction. It is also used to keep the *entire* work force in line. Discharge is often largely symbolic in purpose. The issues, as they pertain to the individual, are incidental to making credible the

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threat of discharge—a threat more than a few employers see as underpinning the discipline and compliance of all employees.

Moreover, while the threat of discharge is perceived by these employers as being of general importance in maintaining authority, it is especially useful in dealing with certain groups of employees. For on the job workers are not simply individuals. They form a variety of groups. These groups often cooperate to resist speed-up or erosion of pay incentives. They may go as far as to think they should form a union. In these circumstances the threat of discharge, backed by a few well-chosen examples, becomes a means of breaking that collective resistance, cutting ties of solidarity, imposing an individualism of isolation rather than freedom.

An organizer has many opportunities to observe this strategy of discipline aimed not at correcting individual behavior, but rather at intimidating groups of workers. One of the advantages for many companies in relocating to small towns in rural areas is the enhanced environment it provides for the threat of discharge. A job loss here has all the usual very serious consequences plus the additional likelihood that the employee, if fired, will have to move out of the area completely in order to find work, severing his or her relations with family and friends. The difference in the threat of getting fired in Chicago as opposed to Clover, South Carolina, is substantial.

My purpose in sketching out the nature and depth of opposition to legislated arbitration in cases of discharge is by way of background to commenting on how the proposals suggested here today might succeed. For reasons already outlined, I expect the opposition to be total, without room for compromise. The question then becomes a matter of what forces can be lined up on the other side to offset that opposition.

In this regard, I would particularly like to comment on the tactical points raised by Mr. Howlett who gave much more attention in his paper as to what things would help in passing this kind of legislation:

1. He suggests that ". . . the states, rather than the federal government, would appear to be the better forum."

Given the seriousness of the opposition, I think the states would, in fact, be the worst place to start. We need, in order to be successful, maximum public attention and support, concentrated, if possible, in the shortest possible time frame. Congress, rather than the state legislatures, provides a much better arena in which to attract this attention and give it maximum publicity. Committees of Congress can often be trying to deal with, but are as nothing in difficulty compared to the anonymity of most state legislative processes.

Moreover, a state-by-state solution makes for a seemingly endless fight, in which there will be not only less public attention, but for which resources will be much harder to sustain.

And, finally, it provides more opportunity for invidious comparison and competition among states in attracting new companies to their areas. I can see it now—"Come to Our State and Fire Who You Want." Of course, it may not be put quite so crudely, but the point will certainly be made when selling their "favorable labor environment" to potential investors.

2. Mr. Howlett also suggests that ". . . it is advisable to exclude supervisors as defined by the NLRA."

This would not help but rather hurt the program's chances for success. The question of due process must certainly extend to the growing proportion of our labor force in first-line and middle levels of supervision. To narrow the coverage is to narrow the support necessary to win. This is an opportunity to join together not only traditional liberal constituencies, but to reach out to include a broad range of people, appealing to those not normally counted on for support. These are people who are often highly educated, articulate, and very concerned over their individual rights and over establishing their independence in the relationship with the employer. We need to enlist the support of this new and growing middle class, to have them see their self-interest in being involved.

3. Mr. Howlett rules out the idea of the individual having a representative of his own choice during the arbitrations, instead substituting an "experienced official" of the state.

Those in need of help should have help if none is available. But we must always allow individuals to be represented by a person of their own choosing. Certainly management is going to insist on *their* representative being heard. And if I were going up against a management professional, I certainly would rather choose my own representative than take someone who, in his or her overcrowded schedule, happened to get the assignment to represent me. If we are to attract wide support, it must be for a system people believe will work, giving them the best possible chance for a fair hearing.

DISCUSSION

JOHN S. SCHAUER
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It was a pleasure to review each of these three thoughtful papers. Each advocates state or federal legislation providing a statutory right of any unorganized employee who feels he was unjustly discharged to take his case against his employer before a governmental tribunal or agency of some nature. From a management perspective, while I support the concept of protecting unorganized employees from arbitrary or capricious discharge, I do not agree with the need for legislation, especially for currently protected employees.

Each author finds some support for his position in European statutes. Those statutes are illuminating and cannot be disregarded; and while I am not familiar with other recent employer-employee legislation in those countries, I do know that employers in this country are still absorbing the substantial costs of time and money associated with OSHA, EEOC, various state FEPCs, city and municipal human rights commissions, the OFCCP, and other similar agencies impacting on the employer-employee relationship. I question adding yet another agency to conciliate and try alleged unjust discharge cases of unorganized employees while existing government agencies protecting similar rights of many of the same employees are still not conducting their work efficiently. My principal concern with the suggested legislation lies in the area of duplication. Many employers are now faced with defending the same claim by the same employee before several different agencies. Adding yet another agency will only exacerbate this problem.

None of the papers discussed realistically the question of the cost of such legislation. I can understand this dilemma because estimating such costs would be entirely speculative. However, before legislation should be considered seriously, I believe its impact on an economy already undergoing severe inflationary problems must be treated definitively.

Certainly, no one is naive enough to suggest that there aren't unjust discharges by employers in this country for reasons that are not currently protected by legislation. I remain unwilling, however, to take isolated

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and one-sided stories of a discharge for alleged political or other conduct that is not currently protected by legislation and convert those stories to a need for legislation which will certainly be costly and perhaps inflationary. I know from experience that there is, with rare exception, another side to each discharge story and that most employers simply do not discharge skilled, productive employees for little or no reason.

I was relieved that no author indicated that there may be more discharges in the nonorganized sector because I simply refuse to agree that three-quarters of the employees in this country who are unorganized are proportionately not getting fair treatment from their employers. Arbitrary discharges frequently lead to unionization, but we do not see strong organization strides being made. Indeed, I think a strong argument can be made that employers who are not organized may be fairer because those employers realize that they must be fair in the eyes of their employees in order to remain nonunion.

The move for immediate legislation reflects a view that nonunion employers will steadfastly remain unwilling to provide discharge appeal mechanisms without being required to do so by legislation. I cannot agree with this view. We are seeing more and more employers voluntarily installing employee discharge appeal procedures culminating in binding arbitration. Many employers have determined that such a procedure encourages sound employee relations. I prefer to see the concept continue to develop in this fashion as it will.

As we see more companies voluntarily implementing discharge procedures, such procedures will—like other employee benefits—become an accepted norm. As such programs gain popularity, other employers will simply have to implement like procedures in order to keep up with what is acceptable in the community just as they do in providing wage increases and other employee benefit improvements.

There are many sound reasons why an employer should implement a discharge appeal procedure. Several of those reasons, including the moral issue, were persuasively presented in the papers today. Allow me, however, to make just one practical observation. It is my view that the only benefit a union contract offers to unorganized employees is the right to file a grievance and ultimately have it heard by an impartial arbitrator whose decision will be final and binding on the employee and his employer. If then an unorganized employer voluntarily offers an appeal procedure culminating in binding arbitration and otherwise provides its employees with competitive wages, benefits, and working conditions, what incentive will employees have to organize?

Installation of appeal procedures for at least discharge cases will in

the next five to ten years be a critically important factor in maintaining nonunion status.

Once an employer decides voluntarily to initiate an appeal program, there are many specific questions which it must consider in order to make the program successful. Some of these include:

1. Commitment—the employer must be committed to the success of the program from its board of directors through its front-line supervision.

2. Awareness and encouragement—employees must be aware of the program and encouraged to use it. They must be advised of the procedures at the time of their termination.

3. Selection of the arbitrator must be impartial and fair. It can be made through the American Arbitration Association, Federal Mediation and Conciliation Service, or any other similar, unimpeachable source. I might add that a real concern with the feasibility of voluntarily installing programs such as this is that we may simply not have enough qualified arbitrators available in all sections of the country.

4. Cost—generally the cost will have to be borne by the employer; but the employee must bear some cost in order to discourage worthless claims. I suggest $100 which could be refunded in the event the employee prevails.

5. Coverage—initially I suggest that the program cover only those employees employed for at least one year and not include supervisors or managers because of the many subjective factors which may go into the discharge of such individuals. I note, however, that a "public review board" may be an appropriate appeal mechanism for supervisors or managers.

6. Since the thrust of a voluntary program is to provide an impartial and binding review mechanism, I would explore not making arbitration available to any employee who files a complaint with another agency such as the NLRB, FEPC, or EEOC; those agencies will provide the employees with their day in court. This is not out of retaliation but to avoid duplication, something we have yet to accomplish in the discrimination area.

7. With regard to remedies—first, a clear standard must be enunciated for the arbitrator to consider. Will it be just cause or some other identifiable standard? While I quarrel with many arbitrators who impose their own standard of industrial relations, I would at this point leave the remedy to experienced arbitrators.

I have dealt here only with discharge matters. Still to be considered is the extension of such a program to other types of employee grievances.

But in my view the key is to initiate a program for discharges first. Later it may be refined and expanded.

If employers react promptly to this need, not only will they obviate the need for costly legislation and yet another governmental agency but, more importantly, they will provide their employees with a substantial benefit, one which will, more than any other, provide individual dignity to unrepresented employees in the work place—a goal to which management must constantly strive and the reason I believe employers will react positively to this problem.

VII. PUBLIC SERVICE EMPLOYMENT: EMERGING RESEARCH FINDINGS

Local and National Objectives in Public Service Employment*

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It is the theme of this paper that PSE must be seen as a program that reflects both federal and local interests. One of the difficulties in the analysis of PSE is that the goals are ambiguous. In particular, the program results from conflict between the federal objectives and those of the local governments who operate the programs. The potential for conflict between the federal and local governments is best seen by examining program objectives at different levels.

In looking at the PSE program as a bargaining outcome between federal and local governments we try to address the following three questions:

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* This paper draws heavily on the monitoring studies of PSE, formerly conducted by the Brookings Institution and now being conducted at the Woodrow Wilson School, Princeton University. There have been two rounds of the study (in July and December 1977). A third round is now in progress. A full description of this research approach can be found in Richard P. Nathan, *The Brookings Field Monitoring Research Methodology for Studying the Effects of Federal Grant-in-Aid Programs*, paper prepared for presentation to the American Political Science Association, Washington, September 1979.

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1. What are the interests of the parties (both federal and local) involved in the bargain, and what are the areas of potential conflict?
2. What is the process of conflict resolution?
3. Can the bargaining process, given the range of conflict and the limits to resolution, yield a workable outcome that addresses the social needs which can be served by PSE?

Conflicting Objectives of PSE

As a federal grant, PSE has as its primary purposes job creation and on-the-job training for those in the eligible population. The emphasis on job creation has led to a prohibition on the use of PSE funds in place of local revenues and the targeting of the jobs to those who would not otherwise find employment, thus limiting any potential inflationary wage pressure generated by PSE, and maximizing the potential for training and labor market contact.

To the extent that local governments are actually restrained from using PSE funds for local fiscal relief, they are likely to maximize the benefits from the program by using PSE employees in those activities where they see the greatest demand. There is also an incentive to assure that the services are of high quality. Meeting these local objectives requires considerable flexibility in the use of grant funds, that is, the value of the grant to local governments is inversely related to the restrictions on its use.

Beyond the question of displacement, two types of restrictions are most troublesome to local officials. First, any constraint on the jobs in which participants can be placed reduces the value of the services produced. Second, those restrictions which specify the characteristics of participants directly influence the quality of services. If local planners cannot select either the jobs or the participants, the incentive to use PSE is severely hampered.

As expected, one of the most important PSE conflicts centers on the use of funds for displacement and fiscal relief at the local level. This issue was considered most important at the time of the last monitoring study observation because the foremost federal objective during that period was countercyclical employment expansion. The federal concern is founded in the potential reduction in stimulative impact. During recessions, however, state and local governments are often faced with declining tax receipts and rising service demands. These forces increase the incentive to use external funds for tax relief. Thus, the conflict of interest on this point may be most intense at the time that the federal concern is for countercyclical employment stimulus.

In practice, there are a number of factors which limit the local tendency to use the funds for displacement. One of these is the maintenance-of-effort restrictions of the legislation. Flagrant violation may pose a threat to the grant. Another is the uncertain nature of the grant. Because PSE is an operating grant, rather than a capital grant, the use of funds for provision of services to replace regular services may create a liability against locally generated revenues should PSE be discontinued. Many local governments have demonstrated a commitment to avoid this type of dependence.

Another limiting factor, of a different type, may be the local desire to use the grant to provide additional services. In some cases this may be the politically preferred use of external funds. Such a situation is most likely to occur where politically important constituencies perceive that they may benefit more from additional services than from reduced taxes.

The first two rounds of the Brookings monitoring study suggest that, whatever the factors influencing the bargain, overall rates of displacement were quite low in the sample jurisdictions. There was a considerable range, but only 18 percent of the sample positions were considered to be displacement in the first round, declining slightly to 15 percent in the second.

The conflict over participant eligibility requirements has been more protracted. Concern has frequently been expressed at the federal level that the most disadvantaged were not being served. As early as 1975 it was noted that the demographic composition of the PSE population was not substantially different from that of the employed population. Such comparisons may be misleading, since they do not include measures of individual labor market failure, but they have triggered changes in the rules by the federal authorities.

When PSE was expanded in response to rising unemployment rates in the 1974–75 recession, Title VI was added to the program mix. PSE under that title was to be directed to a more disadvantaged group by setting wage ceilings and requiring that new enrollees had to have been unemployed for 30 days prior to program entry. These requirements were relaxed in areas where the unemployment rate exceeded 7 percent. When the U.S. economy plunged into its deepest postwar depression, most major labor market areas met the unemployment criterion. The result was a PSE program which expanded but lacked focus on the permanently disadvantaged.

The Emergency Jobs Extension Act of 1976 applied a new approach to targeting by creating PSE "projects." These were limited to one year

in duration and were to result in specific products or accomplishments. The participant eligibility requirements for projects stated that enrollees must have been unemployed for 15 to 20 weeks prior to program entry or be a member of a household receiving welfare payments. Further, the adjusted gross income of the participant household was not to exceed 70 percent of the BLS lower living standard. These requirements can be viewed as an attempt by the federal government to reduce the flexibility allowed to local areas.

It appears that the interaction on this issue did result in greater targeting. The participant characteristic data gathered in the Continuous Longitudinal Manpower Survey and the data from the Monitoring studies show that new enrollees in PSE in the third and fourth quarters of 1977 had experienced greater unemployment and lower incomes than had participants in any previous period in the history of PSE.

But the shift toward the more disadvantaged was not accomplished without strain. The Brookings Associates reported many cases where local officials were reluctant to expand PSE under the 1977 eligibility standards. The chief reasons cited were that the eligible population was too difficult to supervise, that they were unable to perform in the types of jobs available in public employment, and that the local government did not have the training capacity to bring these participants to satisfactory performance levels. Stated simply, local officials saw these regulations as interfering with the local objectives of PSE.

A related source of tension is the wage limitation. CETA regulations require that participants be paid the same wages as regular employees working at similar jobs. In most areas this means that a wage restriction is a direct limitation on the types of public services that can be provided. From the federal perspective, these wage limits are necessary to prevent local governments from hiring skilled workers for PSE jobs, direct positions to the most needy, and prevent wage inflationary pressure in skilled occupations. But local officials see higher wages as necessary to create and fill the jobs which can contribute to needed public services. In many cases, where local wages are set by unions or personnel regulations, the possibility of hiring PSE workers to expand an existing service or establish a related service is completely foreclosed by wage limits.

A Workable Bargain—1977

When the program is seen as a transaction or bargain between two parties, the question then becomes what determines the outcome of the bargaining process. Here again there are many different factors, and they do not affect all jurisdictions in the same way. The ability of each

of the parties to the transaction to push the bargain to their advantage is limited by their dependence on each other. The local governments must depend on the federal government to fund the program and the federal government depends on the local government to implement it, create the jobs, and hire the participants. The bounds to the type of program that can be operated are therefore set by the limits to which each party is willing to go. It must also be noted that other interested groups may impose an additional set of constraints. For example, the existing local workforce, through public employee unions or work rules, may impose limits on the types of jobs that can be created, the wage rates, or other essential characteristics of the program.

The interaction may sometimes create a program serving the interests of all parties to the bargain. For example, the monitoring study results for the PSE Program in 1977 reveal a workable bargain. There was some displacement and PSE provided some local fiscal relief. But this was not high in most areas, and less than 20 percent overall. The local governments seemed to meet their objectives through public service provision, rather than displacement.

The emphasis of the federal government on targeting, especially in the project portion of PSE, seemed not to have reached the level where successful public employment was impossible. The targeting restrictions did appear to move the program further in the direction of those who were experiencing low income and lengthy spells of unemployment. However, some local jurisdictions seemed to be at the margin, where the workable bargain was threatened.

Most important, the program seemed to have considerable potential for aiding participants. The extensive job creation, quite heavily targeted, meant that more jobs were available for many who needed employment. The emphasis on public service provision often resulted in "real" jobs offering an opportunity for job training.

Bargaining Over the 1978 Amendments

In the fall of 1979 there were also indications of increased tension and strain. Increased federal efforts to limit wages and tighten eligibility requirements were not well received in those areas where tradition and third-party interests make it difficult to fit such a program into the jobs which are valued by local jurisdictions.

In the congressional hearings prior to the passage of the 1978 amendments to CETA, there are clear indications of the degree of conflict over the role and objectives of PSE. Very little was said about whether displacement should continue to be prohibited. The issues getting most attention involved training, participant eligibility, and wage limitation.

The hearings also reveal some important third-party interests in PSE. This is especially true of special interest groups claiming to represent certain demographic, ethnic, or racial populations, and the traditional community-based organizations.

In testimony concerning the proposed tighter eligibility requirements, most state and local governments and school districts claimed that the guidelines were too tight. The chief complaint, as expressed in this testimony, was that these requirements would eliminate many who have need for PSE. Local officials also expressed frustration with meeting DOL hiring quotas under these tight standards, some suggesting that they simply could not find enough eligible participants in the time allotted. Careful reading of this testimony also reveals a local concern about the types of jobs that these participants could fill and whether they could perform adequately in existing positions.

Many special interest groups and community-based organizations welcomed the proposed change in eligibility standards as a way of reaching many disadvantaged who had not previously been served. However, they sided with local and state governments in opposition to lower wage levels. All parties except the federal government felt that the proposed limits would eliminate most meaningful jobs and that the $10,000 limit conceived in 1973 had been made obsolete by inflation. The DOL defended the wage limitations as a way of curtailing substitution and promoting the targeting of jobs to the needy. Federal officials noted that PSE jobs may have become more attractive than some unsubsidized employment and that, unless low wages in PSE are assured, some participants will refuse other employment when it is available.

In the end, eligibility requirements were made more strict, wage limits were lowered, and local supplementation was curtailed. The amendments reflected few of the local government concerns. If the hearings are looked at as reflecting a bargaining relationship, then there is question as to whether the federal government bargained in good faith.

The new legislation has strained the bargain between the federal and local governments.[1] The early results show that the workable bargain has been bent and, for some aspects of the program, broken. For example, although the Department indicated that it would grant no waivers to the termination of existing positions and the full implementation of the new regulations, it has granted waivers to all jurisdictions in the monitoring study sample that requested them. A second indication of

[1] Richard P. Nathan, Robert F. Cook, Janet M. Galchick, and V. Lane Rawlins, *Monitoring the Public Service Employment Program: The Second Round* Special Report No. 32, National Commission for Manpower Policy (Washington: March 1979), Ch. 6.

failure is that most of the jurisdictions in the sample were underenrolled in the fall of 1979.[2] This is partially a result of 1980 funding levels that will not support the current planned enrollment. Also, the wage limits constrain the ability of the local jurisdictions to provide jobs within their governmental structures, either because the maximum PSE wage is below the beginning wage levels of the government or the proportion of the positions that have to be subcontracted out to "balance" the positions in the government and still meet the required average is so high as to make it "not worth it" to the local government.

Preliminary assessment of the recent changes in the program indicate that the program is serving an even more disadvantaged population, the lower skilled and unskilled, and creating lower wage jobs. The combination of stricter eligibility requirements and lower wage jobs also implies less displacement. However, as PSE becomes more structural, with an emphasis on training, there should be less concern about displacement. With a limit on individual tenure in the program, what was displacement in a countercyclical program of public employment may represent higher rates of transition to unsubsidized employment in a structural program. It is unlikely that such a PSE program could be used as a vehicle for rapid and large-scale employment and fiscal stimulus. The position of the Administration appears to be that the 1977–78 experience suggests that PSE be included in any future consideration of fiscal stimulus.[3] However, the recent experience with the implementation of the new legislation suggests that a major expansion for countercyclical purposes would require a renegotiation of the bargain with local program operators.

It is possible that the 1978 amendments may destroy what was a workable bargain. Unfortunately, if the limits to the bargain are such that a workable agreement cannot be met, it is the participants who will suffer. A job creation program may not be the best treatment for all those with labor market problems. However, there are many who can gain from this experience, both because it provides temporary relief and because some training is acquired.[4] The sacrifice of this program because of a failure to understand its nature would be an unfortunate end to the decentralized PSE experiment. Such a loss would probably occur without fanfare or drama. The most likely scenarios are that the federal

[2] Transcript of a conference of the PSE Associates, Princeton University, October 8, 1979.

[3] Comments of the Secretary of Labor, National Association of County Employment and Training Administrators Conference, Louisville, KY, October 15, 1979.

[4] Westat, Inc., *The Net Earnings Impact of the Public Employment Program (PEP): An Exploratory Analysis*, Office of Program Evaluation, U.S. Department of Labor, Report MEL 79-20 (Washington: October 1979).

government would shift toward other programmatic models for counter-cyclical and structural policy or that the local government would drift toward a subcontracted, low-wage work experience program.

Public Service Employment in the Rural South: The Prospects for Job Transition*

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Introduction

With respect to human resource policy, one of the most important developments of the decade of the 1970s has been the revival and expansion of job creation programs. As an instrument of policy intervention into local labor markets, public service employment (PSE) embraces three objectives that are potentially of vital importance to the people and region in the rural South. These are the ability of such endeavors to increase the number of available job opportunities, to enhance the income levels of program participants, and to produce useful output which benefits the general community. Regardless of priorities, virtually any ordering of these objectives will be of more benefit to the economy of the rural South than to any other region of the nation.[1]

As innovative and as important as job creation was during the depression years, it was not until 1971 that it was revived as a conscientious policy instrument. In that year, the Emergency Employment Act (EEA) became the first purposeful job creation law to be enacted since the Works Progress Administration was created in 1935. EEA was specifically intended to be a temporary countercyclical use of PSE with emphasis given to the rapid placement of participants into nonsubsidized employment. The real momentum for an expanded PSE program, however, came with the enactment of the Comprehensive Employment and Training Act

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[1] Brian Rungeling, Lewis H. Smith, Vernon M. Briggs, Jr., and John Adams, *Employment, Income, and Welfare in the Rural South* (New York: Praeger, 1977).

(CETA) of 1973 and its subsequent amendments in 1974 (i.e., the Emergency Jobs and Unemployment Assistance Act) and 1976 (i.e., the Emergency Jobs Program Extension Act) as well as the doubling of the number of PSE participants enrolled in these existing programs in 1977–78 as the result of the Economic Stimulus Appropriations Act of 1977.

EEA was developed to respond to national unemployment problems. It manifested a perception of the problem that equated unemployment with urban needs. No real thought was given to the specific needs of rural areas in the design of the act or in its subsequent operations.[2] The same pattern of neglect has continued under CETA. Funding formulas, legislative requirements, and the administrative rules and regulations have been based upon criteria that primarily benefit urban areas.[3] The applicability of PSE to the specific employment needs of rural areas has remained largely a policy afterthought. The CETA amendments of 1978 have continued in this same mold.

The Issue of Job Transition

One of the most important dimensions of job creation policy pertains to the movement of PSE participants into nonsubsidized employment. This process is more commonly referred to as transition. Transition was a major goal of PSE under EEA and under the Title II PSE provisions of the original CETA of 1973. But transition was submerged as a primary objective with rapid expansion of PSE as a countercyclical tool of fiscal policy under the aforementioned CETA amendments of 1974 and 1976 and the PSE "build-up" in 1977–78. The administrative capacity of the CETA prime sponsor delivery system was greatly overloaded by the increased scale and the more intricate provisions of the PSE expansion during these years.[4] Transition was a stated objective of the legis-

[2] E.g., see Gerald G. Somers, "Public Service Employment and Manpower Policies in Rural Areas: Limitations of the EEA," in *Essays on the Public Employment Programs in Rural Areas* (East Lansing: Center for Rural Manpower Policy, Michigan State University, 1973), p. 2 [distributed by National Technical Information Service PS-226 488]; also see Vernon M. Briggs, Jr., "Texas," in *Case Studies of the Emergency Employment Act in Operation*, Senate Committee on Labor and Public Welfare (Washington: U.S. Government Printing Office, 1973), pp. 1081–87.

[3] Phillip L. Martin, "Public Service Employment and Rural America," *American Journal of Agricultural Economics* (May 1977), p. 277; see also National Governors' Association, *CETA and Rural Areas* (Washington: NGA, Center for Policy Research, 1979), pp. 76–89; and Gene Leonardson and David M. Nelson, *Rural Oriented Research and Development Projects: A Review and Synthesis*, U.S. Department of Labor R&D Monograph 50 (Washington: U.S. Government Printing Office, 1977), pp. 93–122; also see Ray Marshall, "Manpower and the Urban-Rural Balance," *A Collection of Policy Papers*, Special Report No. 14 (Washington: National Commission on Manpower Policy, 1978), pp. 43–64.

[4] William Mirengoff and Lester Rindler, *CETA: Manpower Programs Under Local Control* (Washington: National Academy of Science, 1978), pp. 160–61.

lation but it was simply shoved aside as a practical expediency. One comprehensive study found that while some prime sponsors did encourage individual participants to seek nonsubsidized employment on their own, transition itself was definitely not considered to be an important local objective.[5]

Although a pragmatic assessment of the capabilities of prime sponsors may have had much to do with the decline of transition as a goal, there was a second factor which was surely as important. If PSE was indeed a countercyclical weapon, then to a large extent transition should take care of itself. This, of course, assumes that the average unemployed person would find an unsubsidized job preferable to a subsidized one. The presumed motivation would be that wage differentials would exist that would favor nonsubsidized employment as the economy recovered.

The CETA Amendments of 1978 have again made transition an important concern. This is in part due to the fact that the emphasis of PSE under this legislation has shifted markedly from being a counteryclical device to being a counterstructural weapon. More importantly, the tenure of any individual in any PSE title is limited to a maximum of 18 months. This provision, which should bring the transition issue to the fore, will be a particular problem for the rural South. Regardless of national economic conditions, the scarcity of job openings at any time in the rural South means that there is only a limited potential for transition of persons from PSE programs to permanent public jobs and even less potential for transition into the private sector. A surplus labor situation is normal throughout most of the rural South. Low labor force participation rates also indicate that "hidden" unemployment is widespread.[6] Moreover, many of the "best jobs" in the rural South are to be found in the public sector. Thus, any assumption that a participant will desire transition to the private sector can be considered dubious at best.

Not only are jobs, public or private, difficult to obtain in the rural South, but the population which is to be served contains a disproportionately high percentage of economically disadvantaged, poorly educated, and minority persons relative to other regions.[7] PSE, like all CETA programs, is targeted toward a population that is poorly prepared for the labor market and for whom transition to a nonsubsidized job will be

[5] Richard P. Nathan, Robert Cook, V. Lane Rawlins, and Janet Galchick, *Monitoring the Public Service Employment Programs: The Second Round*, Special Report No. 32 (Washington: National Commission for Manpower Policy, 1979), pp. 97–100.

[6] Rungeling et al., Ch. 4.

[7] Vernon B. Briggs, Jr., Brian Rungeling, and Lewis H. Smith, *Human Needs and Income Supplement Programs in the Rural South* (University, MS: Center for Manpower Studies, 1978).

very difficult. The 18-month rule as well as renewed emphasis on transition could be detrimental to the best interests of this population. In particular, heavy emphasis on transition might encourage "creaming" of participants to an even greater extent than now exists. The universal application of the 18-month rule neglects recognition of the differentials in the potential for transition among individuals.

This paper examines the rest of a study of PSE in the rural South with respect to efforts to facilitate transition and to factors which influence the probability of successful transition.

Data Sources

Rural PSE developments were studied at both the state and county levels. Out of the eight southern states that were reviewed, eight counties were selected from two of the states, Georgia and Mississippi, for intensive study.[8] In these counties, personal interviews were conducted with the program delivery agents (i.e., public employment service in both states), all local PSE employers (e.g., local town and county governments, independent schools, and community action agencies), and a random sample of all PSE participants. The participant sample was chosen randomly from a total of the 1400 persons who had held a PSE job in the eight counties during Fiscal Years 1977 and 1978. A total of 247 participants composed the study sample. The field work was conducted during the spring and summer of 1979.

Local Efforts to Facilitate Transition

In general, formal transition services were not a part of the PSE program in any of the study counties. Little pressure was exerted at the state prime-sponsor level, and the program delivery agents generally did not even consider it to be part of the program. Many staff members indicated that there were few if any jobs locally available and, even if there were, most PSE participants would have little chance of obtaining them.

Interestingly, the attitude of PSE employers did not encourage transition. PSE employers often developed a proprietary attitude not only toward the job slot but toward the people in them. In one case, when a local employment service staff member arranged a job interview for

[8] The eight states were placed in one of two classifications according to the percentage of population that was rural. One state was selected from each group. Since PSE prior to 1978 has been primarily designed as a countercyclical tool, aspects of the program, including transition, should vary with the economic situation in a given county. In the absence of any easily definable measure which was superior, population growth from 1970–77 was used as a proxy for economic growth and, thereby, the economic health of a county. Counties in the states (which were rural by the U.S. Department of Labor definition) were stratified into groups according to population growth between 1970 and 1977. Four counties were selected from each state.

a PSE participant, the PSE employer brought political pressure to stop "interfering with my employees until their time runs out."

There was some evidence that the local delivery staff would, from time to time, suggest to participating employers that the PSE employees should be given preference when regular slots became vacant in their organizations. There was some success. In fact, several public agencies appeared to utilize PSE as a screening method for identifying potential employees for their nonsubsidized positions. However, there was no evidence that any effort was made to move participants to jobs in the private sector or that such an effort was ever seriously contemplated. Most of the transition to the private sector that did occur was at the initiative of and due to the efforts of the individual PSE participants themselves.

Factors Influencing the Probability of Transition

The ability of a given participant to move from a PSE job to a nonsubsidized job will depend not only upon the experience gained on the job but on personal characteristics and local job opportunities. To investigate which factors were important, a regression model was developed and applied to the data obtained from the 247 participants included in the sample. Less than half of the PSE participants (46 percent) were successful in securing nonsubsidized employment. Since transition is a two dimensional event—it occurs or it does not—the model employed a dichotomous dependent variable.[9] Transition was assumed to have occurred if the person interviewed was employed at the time of the interview or had been employed more than 50 percent of the time since the person was terminated from the PSE job. This meant that persons not employed at the time of the interview had to be employed at least five months out of the past ten. The probability of transition was assumed to vary with the race, sex, age, and education level of the individual; with the employment status of other family members; with the economic situation in the county in which the individual was living; and with the experience gained on the PSE job. Experience gained was assumed to have two dimensions: the type of job and the length of time which the job was held. The results of the analysis are shown in Table 1.

[9] The problems with using a dichotomous dependent variable are well known [see Arthur Goldberger, *Economic Theory* (New York: Wiley, 1964), pp. 248–55]. In this case, using Goldberger's suggested adjustments on a subsample revealed that the revised standard errors were generally smaller, meaning estimates obtained are generally conservative. Since it has been shown that the results of alternative techniques differ from those of ordinary least squares by a trivial amount, it was decided to use the latter technique [Morley Gunderson, "Statistical Models for Dichotomous Dependent Variables," Working Paper, Centre for Industrial Relations, University of Toronto, 1973].

TABLE 1
Transition Regression Equation Results

Variables	Coefficient	*t*-statistic
Race	−.03533	0.142
Sex	.20853	2.569*
Age	−.00517	2.310*
Others	−.13826	3.768*
Dis	−.12094	1.564
Time	−.00196	4.927*
Educ	.07468	1.229
Clerical	−.02477	0.055
Service	−.12313	1.507
Const	−.17397	1.738
Cty 1	−.16218	2.512*
Cty 2	−.61928	2.581*
Cty 3	−.26997	2.580*
Cty 4	−.02502	0.034
Cty 5	−.33388	0.028
Cty 6	−.55915	0.784
Cty 7	−.10084	3.954*
Constant	1.12546	
R^2	.21441	
F	2.45638*	

* Significant at .05 level.

Definition of Variables: Age (*Age*) and Time on PSE (*Time*) are continuous variables; all others are dummies as follows: *Race*, black = 1; *Sex*, male = 1; *Dis*, disadvantaged = 1; *Other*, other family members employed = 1; *Educ*, high school or more = 1; *Clerical*, PSE clerical job = 1; *Service*, PSE service job = 1; *Const*, PSE contruction job = 1; *Cty* 1 through *Cty* 7 = 1 if in county 1 through 7.

Findings

The results, in general, conform to standard labor market analysis in that males were more likely to be employed than women; older workers were less likely to be employed; and the presence of another wage earner in the family reduced the probability of being employed. Interestingly, race does not appear to be a factor in transition despite the fact that in two of the counties a previous study had revealed significant racial discrimination in employment.[10] The lack of significance of the race variable holds important implications for PSE in the rural South. Blacks accounted for slightly over half the sample and a similar portion of those who had successfully experienced transition, but blacks were more likely to still be employed in the public sector. In general, PSE in the rural South appears to be increasing the number of blacks employed by local governments where their numbers had been historically low.[11]

The type of PSE job held (occupation) does not appear to affect the

[10] Rungeling et al., pp. 130–35.

[11] The benefit of this depends upon whether or not blacks are finding employment in all parts of local government or just in the lowest level jobs. At this stage of the study, the data on this point are inconclusive.

probability of transition. Although there are several possible interpretations, the most likely is that few of the PSE jobs that were studied during the period required or imparted a substantial degree of skill. There were, of course, some skilled occupations among those jobs held by the 247 participants in the sample. But, in each instance, they all required the individual to possess the skill prior to obtaining the PSE job. Only 12 percent of those persons interviewed stated that they received any formal training while on the PSE job other than instructions required to do aspects of their job as situations arose.

The second variable intended to measure the benefit of PSE experience was the only unexpected finding, namely, the probability of transition declined with the length of time the PSE job was held rather than the reverse as had been anticipated. Considerable reflection led to the conclusion that in the rural South such a finding was not implausible if, in fact, those with the smallest chance of moving to nonsubsidized employment tried to hold their PSE job as long as possible. Two factors tend to support this. First, while almost 80 percent of the participants in the sample were disadvantaged, less than 65 percent of those who found nonsubsidized employment came from this group. The economically disadvantaged (being the least likely to find a job in the absence of a subsidy) are always the most difficult to transition in any type of human resource program. Second, more than half of those who found nonsubsidized employment spent less than six months on a PSE job. This lends credence to the view that for some PSE is a form of "unemployment insurance" to be used until a better job can be found. This, of course, is exactly what would be expected in a countercyclical program.

Implications

Generally speaking, the most significant factor, other than personal characteristics of the participant, which influences the probability of transition is local economic conditions. Although this is not surprising, the implications for the rural South are vitally important. For many, if not most, counties in the rural South the prospects of economic development and growth are not bright. Poverty is high and employment opportunities are few. For example, in the sample counties the overall poverty rates ranged from 25 percent to 60 percent, while for black families the range was 54 percent to 80 percent. In this environment, job transition is essentially a meaningless concept for most PSE participants. The 18-month rule will assure that more people can be rotated through PSE. But if there are any persons who believe that such a rule will increase transition in the rural South, they are only deceiving themselves.

Preliminary findings from this study of PSE in the rural South reveal that 80 percent of the participants were economically disadvantaged before the 1978 Amendments became effective; that displacement of regular employees is quite low; and that for many small rural towns and rural counties PSE funds allowed services to be provided for the first time that are often taken for granted in urban areas. In this type of environment, emphasis on job transition would appear misguided if not totally unrealistic and incorrect. This conclusion should not be interpreted as a recommendation that the goal of transition be abandoned. Rather, a realistic assessment of both the nature of the PSE job and the probability of transition of the individual participant should be considered. The existence of an inflexible 18-month rule is of little benefit either to the participant or to the employing agency in the rural South.

Many, if not most, local governments cannot provide the infrastructure nor the quality public services needed for economic growth—growth which is the ultimate key to solving the long-run employment problems of the rural South. Not only can PSE provide needed jobs, but it can be used to help meet these community needs. As a corollary, the out-migration of rural southerners to urban areas of the North and the South is rapidly becoming an undesirable alternative both for the individual and for the receiving urban area. PSE can and should be a major part of any long-run strategy to slow the out-migration and to improve the quality of life in rural areas. But PSE has little to offer to either the participants or the economy of the rural South if it is designed to be only a temporary policy. It has previously been observed that to be of maximum benefit both to the individual and to the rural areas such jobs cannot be considered as transitional—especially with respect to placement to the private sector. The emphasis on short-term PSE jobs and rapid job transition contained in the CETA Amendments of 1978 is a move in the wrong direction for the rural South.

A final and important implication of the findings is that the probability of transition will vary from county to county depending upon local economic conditions and upon the characteristics of the local eligible population. In the eight states included in this study, there are 615 rural counties. What has been stated as the general case of all human resource programs in all rural areas is especially true for PSE in the rural South. Programs will have to be more closely tailored to the specific problems of each rural area.[12] This, and the other factors discussed, means that PSE in the rural South must be innovative and adaptive if it is to be useful and effective. This is not presently the case.

[12] Philip L. Martin, "Rural Labor Markets and Rural Manpower Policy," in *Proceedings of the 30th Annual Meeting, IRRA* (Madison, WI: IRRA 1978, pp. 217–25.

Public Service Employment: The Role of Nonprofit Organizations as Employers*

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The public job creation component of the Carter Administration's 1977 stimulus package was unique in its emphasis on utilization of extragovernmental agencies—nonprofit organizations—for job creation. Data collected from the second round Brookings monitoring study show that whereas on December 31, 1977, 10 percent of the PSE "sustainment" positions in the sample governments were located in nonprofit organizations, 43 percent of the "project" positions were.[1] Somewhat paradoxically, the broad-based national organizations that played so great a role in encouraging Congress and the administration to push PSE out to the nonprofit sector played only a minor part in the expansion. Only 17 percent of the positions going to nonprofit organizations in the Brookings sample went to national nonprofits of any type.

The stimulus package pushed PSE into uncharted territory for employment policy. Although the national training organizations claiming "demonstrated effectiveness" have created an image of what nonprofits are like, the track record and character of new organizations—or for that matter, the older organizations under PSE—are not well established. This paper investigates some issues in evaluating these developments using data from one of the sample cities, San Francisco. We then compare results for San Francisco with reports by monitoring study Associates on nonprofit performance at other sites. Our evidence on the

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* This paper summarizes material to be presented in much greater detail in a forthcoming book on results of the Brookings Institution Public Service Employment Monitoring Study.

[1] For earlier descriptions of monitoring study results, see Richard P. Nathan and others, *Monitoring the Public Service Employment Program*, Vol. 2 of National Commission for Manpower Policy, *Job Creation Through Public Service Employment* (Washington: The Commission, 1978). Sustainment positions were those authorized under Titles II and VI of CETA by prestimulus legislation. Employment beyond sustainment levels was required to be in fixed duration projects.

consequences of relying on nonprofits is not conclusive. It does, however, pose questions about the usefulness of the nonprofit sector as an instrument for PSE expansion.

Factors Influencing Nonprofit Performance

The outcomes of PSE in the nonprofit sector that are most important are the quality of targeting of jobs on preferred recipients, the net impact of the subsidies on agency employment and services, and the long-run effects on the well-being of jobholders. Given federal regulations, in practice observed CETA PSE outcomes in the nonprofit sector will be affected by the selection process and the specification of the prime sponsor–nonprofit organization contract as well as by the particular implementation processes the selected nonprofits adopt. By changing selection and contracting procedures, it is possible that the outcomes—and the relative performance of nonprofit organizations as job creators—can be changed.

The fact that outcomes are the result both of prime sponsor decisions about choice of nonprofits and nature of contract *and* nonprofit organizations' decisions about implementation greatly complicates understanding of process. At minimum, two theories of behavior are needed—one for the prime sponsors, the other for nonprofits. One theory for nonprofits may not be enough, for our data indicate that the organizations are very heterogeneous.

In our work we have concentrated on the problem of categorizing nonprofits so that behavior within categories—and expected response to CETA employment subsidies—is reasonably assumed homogeneous. We have identified three characteristics of nonprofit organizations which are likely to be useful in predicting their behavior when given a CETA employment subsidy. Each of these factors and the hypotheses concerning their relation to CETA outcomes are discussed below.

The Collective Nature of the Agency's Output

PSE is intended to provide benefits to the worker involved as well as to the general public. The transfer of income to those on whom a PSE job is targeted as well as some of the services many PSE jobs promise are "collective consumption goods." [2]

Receipt of CETA employment subsidies would appear to impose a greater change in orientation upon agencies with little inclination toward collective goods than upon agencies traditionally producing such services.

Hypothesis 1: Agencies oriented toward private goods will

[2] See Burton A. Weisbrod, "The Private Nonprofit Sector: What Is It?" Discussion Paper No. 416-77, Institute for Research on Poverty, University of Wisconsin-Madison.

exhibit a greater tendency toward displacement and use of funds in ways at variance with basic CETA goals.

The Organization's Constituency and Target

We define the *constituency* of a nonprofit organization as the group external to management having the greatest influence on the agency's goals and day-to-day operations. The agency's *target* is the group deriving greatest benefits from its principal services. The targets of the CETA legislation are those eligible to participate in the program. A central contention of the CETA regulations is that those ("community-based") organizations with constituencies related to targets of CETA legislation are likely to be most effective in achieving CETA goals.

> Hypothesis 2: The greater the similarity between the targets of CETA legislation and the constituency for a nonprofit's normal functions, the greater the likelihood that CETA subsidies will be used appropriately and the larger their likely effect.

"Community-based" nonprofit organizations are not the only agencies that serve the needs of the disadvantaged. Any agency regularly serving the targets of CETA legislation would appear more likely than others to use the subsidies effectively and most in accord with CETA goals.

> Hypothesis 3: The greater the similarity between the targets of CETA legislation and the targets of a nonprofit's normal functions, the greater the likelihood that CETA subsidies will be used appropriately and the larger their likely effect.

National Affiliation

It is conceivable that the emphasis in CETA PSE funding on local nonprofit organizations is inappropriate. Organizations with national affiliation may more readily identify with the national objectives implicit in CETA employment programs and as a result do a better job.

> Hypothesis 4: Nationally affiliated organizations are more likely than others to utilize CETA subsidies in a manner consistent with national goals.

CETA and the Nonprofit Sector in San Francisco

For one city, San Francisco, it was possible to collect data sufficiently detailed to investigate some of these hypotheses.

The RFP and Project Selection

San Francisco responded to the stimulus package by issuing a Request for Proposals (RFP) to city departments, nonprofit organizations, and other governmental units. The Mayor's Office of Employment and Training (MOET) received 896 proposals, of which two-thirds were

from nonprofit organizations. In all, some 314 different nonprofits applied for funding.

We classified applying nonprofits on the basis of behavioral factors cited above. For about 15 percent of the agencies, the principal activity was production of private goods—services to members of participating organizations that did not have a "collective good" aspect. Most agencies were not "community-based"; only about 11 percent were identified with particular neighborhoods and only about 14 percent were associated with particular demographic groups. About 31 percent of the applying organizations had CETA-type training or employment-related services as a principal function. Only 17 percent of these nonprofits were nationally affiliated.

Once the proposals were submitted, they were independently evaluated and scored on certain minimum standards and in terms of likely project effectiveness and job quality. About half were funded. To identify the type of nonprofit which proved capable of winning funding under the selection procedure that MOET used, a simple model of the determinants of the likelihood of proposal success was estimated. The results indicated that the criteria applied by MOET did direct money toward certain types of projects in certain types of nonprofit organizations. Other things equal, the MOET criteria favored locally based nonprofit organizations to national affiliates, agencies with a constituency *not* defined geographically (i.e., on a neighborhood basis) to those which were neighborhood based, agencies with a minority demographic constituency, and proposals which promised delivery of educational or social services. We detected no relation between probability of selection and the "collective good" orientation of the agency's normal functions. If agencies with MOET-preferred characteristics are exceptionally bad or exceptionally good in their PSE performance, the overall effect of nonprofit utilization in San Francisco will differ from what occurs in other cities in which different criteria were applied.

The Contract

Once the project list was accepted by the board of supervisors, MOET officials began signing contracts with the agencies affected. As is true for most CETA contracts, the MOET agreement was weakened by the intrinsic ambiguity of requirements like "participants are . . . [to perform] meaningful and necessary public service work at all time." This ambiguity plus the preoccupation of MOET staff with other matters made enforcement of the contracts somewhat lax. But it should be pointed out that many of the ambiguous restrictions were lifted verbatim from the *Federal Register*. By December 31, 1977, the reference date for the Brookings monitoring study, the city had 1,073 people in

"projects" employment, and two-thirds of these were in nonprofit organizations.

The Outcomes

Useful information on outcomes is provided by characteristics of persons hired and an independent evaluation of project implementation done by San Francisco's board of supervisors.

Participant Characteristics

Table 1 shows the characteristics of San Francisco's PSE participants enrolled as of December 31, 1977 by CETA title and employing agency. Characteristics of persons hired in 1977 are separately identified for city sustainment positions. For projects, characteristics of employees in nonprofit organizations and city government are separately tabulated. All project employees enumerated in the table were hired in 1977.

The following conclusions seemed to be supported by the data in the first four columns of Table 1. First, targeting of PSE by nonprofits in San Francisco is inferior to that for local government. Compared to regular city CETA employees, jobholders in nonprofit agencies tended to (a) be more likely to be white, (b) be better educated, (c) be less likely to be a welfare recipient, and (d) report fewer dependents.[3]

The comparatively poor record of nonprofit organizations in targeting may be attributable to the special nature of the "projects" requirement rather than the fact that the projects were located in nonprofit organizations. While projects in the city departments managed to involve more minority group members than did those in the nonprofit organizations, city projects jobs also tended on average to go to persons with better educations who were less likely to be welfare recipients than was true for 1977 hires into sustainment positions. The issue deserves more study, but the evidence here suggests that creation of public service employment through the projects approach is probably not the best alternative for aiding the disadvantaged.

The results reported to this point are for employee characteristics for all participating nonprofit agencies combined. It is useful to disaggregate the participant data along lines hypothesized above to have behavioral significance. Data classified in this way appear in the last three columns of Table 1.

[3] The differences between government and nonprofit agencies in dependency ratios may simply reflect the greater proportion of women in nonprofit organization employment. However, when the number of dependents by employing agency was analyzed only for women, the result was the same. It is also possible that the differences in participant characteristics result from differences in the type of positions offered by each type of employing agency. For this reason, the characteristics of persons holding secretarial-clerical positions--a relatively homogeneous occupation—were tabulated by agency. Once again, the results were the same: the nonprofit organization jobs appear to be very poorly targeted.

TABLE 1

PSE Participant Characteristics
San Francisco, California
December 31, 1977

Participant Characteristic[a]	All City Sustainment PSE	City PSE, 1977 Hires	Projects: City[b]	Projects: Nonprofit[c]	Nonprofit Organization Projects: Organization Type[d] A	B	C
Female (%)	36	38	35	48*	47	57*	49
Year education (mean)	13.9	13.8	14.1	15.2*	15.1	16.9*	14.6**
< 30 years Old (%)	53	61	59	58	65**	61	50**
Nonwhite (%)	75	75	71	55**	63**	47**	75**
Weeks unemployed at point of entry (mean)	44.4	35.7	57.4*	52.9	50.8	43.2**	50.1
Receiving public assistance (%)	16	17	12*	10	8	4**	11
Reported number of dependents (mean)	1.14	.86	.75*	.44**	.41	.37	.53
Number of observations	1989	978	260	693	230	78	186

Source: Authors' tabulations of participant data provided by Mayor's Office of Employment and Training, San Francisco.

[a] Numbers are proportions of sample with indicated characteristic unless otherwise indicated.

[b] Tests of significance are for difference from city sustainment hires.

[c] Tests of significance are for difference from city project hires.

[d] Tests of significance are for difference from projects not of indicated organization type. Organization types are: A—Nonprofits providing employment preparation and training services; B—Nonprofits affiliated with a national organization; C—Nonprofits—"community based"—with demographically or geographically defined constituency.

* Denotes significant difference at .10 level.

** Denotes significant difference at .05 level.

The disaggregated nonprofit participant data support several interesting conclusions. Agencies with a formal orientation toward training appear to employ younger workers and workers who are from minority groups more frequently than do others. Otherwise, there is no significant difference. Not surprisingly, "community-based" organizations do hire more minority workers than do other nonprofits, and on average the workers they employ appear more disadvantaged, reporting less education, more dependents, and greater frequency of welfare receipt than do participants in other nonprofit organizations. Only the difference in minority proportions and education are statistically significant, however. Finally, the table speaks strongest on the issue of home-based versus national affiliate: targeting was much worse for nationally affiliated organizations. It is significant that this difference remains even after the selection process discriminated against nationally affiliated organizations in handing out contracts. Note that the categories are not mutually exclusive: some nationally affiliated organizations do employment training work.

The Board of Supervisors Evaluation Project

In the fall of 1977 the San Francisco Board of Supervisors (BOS) requested that its budget analyst conduct a study of PSE implementation in the nonprofit organizations which had received projects allocations from the stimulus funds.[4] The BOS monitoring group made on-site visits to 202 of the projects funded by MOET and evaluated each on the basis of five factors. One of these concerned "appropriate use of CETA-subsidized personnel," i.e., displacement.[5]

We developed a simple model to relate the likelihood of citation for displacement to agency characteristics. A significant positive relationship was detected between the "private good" orientation of the agency's normal functions and citation from the monitoring team for "inappropriate use of CETA-subsidized personnel." The nature of an agency's constituency or its national affiliation did not prove to affect significantly the likelihood of displacement. Contrary to our hypothesis, projects within agencies which have employment training as a normal function

[4] San Francisco Board of Supervisors, "Monitoring Report of the Comprehensive Employment and Training Act (CETA) Title VI Public Service Employment Projects Operated by Private Nonprofit Organizations," February 1978, mimeo.

[5] The precise definition of displacement is a matter of controversy. As we interpret the legislation, displacement occurs when an agency accepts PSE money and (a) fails to increase employment beyond what would have occurred in the absence of the money by at least the number of jobs nominally subsidized, and (b) some or all of the jobs nominally subsidized would have been filled even had the money not been received. The important point is that PSE calls for the use of the money for increasing employment and assuring that each job reported as PSE-created be part of the increment.

were also significantly *more* likely than others to be cited for inappropriate personnel use. All other things equal, a significant positive relationship was also detected between the number of positions assigned to an agency and likelihood of citation for inappropriate job use.

The San Francisco results do not provide information on the effect on outcomes of possible variations in the CETA contract, and no information was available on the effect of CETA PSE on nonprofit organization service delivery. Both MOET's own evaluation of the nonprofits project proposals and those done post-implementation by the board of supervisors suggest that the nonprofit organization as utilized in San Francisco's program does not provide a particularly good environment for provision of the kinds of training needed for a structural PSE policy or the increment in job creation essential to a countercyclical policy.

Nonprofit PSE in Other Jurisdictions

Field associate reports from the Brookings monitoring study generally support the conclusions drawn from the San Francisco analysis. Summarized, they indicate:

1. As a result of the lack of clear distinction in federal PSE policy among structural, countercyclical, and public service objectives, the attitudes and preferences of local prime sponsors are important determinants of the extent and character of nonprofit participation. Although nonprofits are generally associated with a commitment to serving target groups, actual nonprofit involvement in 1977 tended to be greatest when local government policy was oriented, as was true in San Francisco, toward countercyclical objectives.

2. Contracts between prime sponsors and nonprofits are generally deficient with respect to specification of procedures for meeting federal requirements or local objectives. As a result, outcomes tend to be determined by the nonprofits.

3. Locally based nonprofit organizations, rather than national organizations, are by far the larger employers of PSE. Nationally affiliated organizations were occasionally used by prime sponsors to coordinate PSE in the nonprofit sector. But the nonprofit organizations seen in Washington are not, by and large, the agencies that get the jobs.

4. Data from the Brookings study sample jurisdictions generally support the San Francisco conclusion that nonprofits do not achieve the targeting, training, and transition objectives of PSE as well as do local governments. Although the evidence is fragmentary, it indicates that it would be a mistake to change the mix of existing PSE toward greater nonprofit use. If PSE is to be reduced, the nonprofit sector should bear the brunt of the cutbacks.

DISCUSSION

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The Galchick-Wiseman paper addresses an important, but much neglected, issue in employment policy, namely, the administration of public service employment at the local level. Their study of the San Francisco PSE program is one of several site-specific monitoring studies undertaken by the Brookings Institution in 1978 to determine how PSE is implemented. The authors go beyond the usual description of job typology and wage levels often included in PSE studies but, instead, attempt to construct a model of the decision-making process of the local prime sponsors for selecting nonprofit organizations as employers of PSE participants. This systematic approach to research on PSE represents a valuable addition to the literature and should be extended to other aspects of employment policy administration. My comments will focus on two issues which, in my view, receive insufficient attention in the paper: (a) the dynamics of the decision-making process influencing the participation of nonprofit organizations as PSE employers, and (b) the limitations of the methodological approach adopted by the authors to analyze their data.

First, it is important to remember that a major political compromise led to the decision for nonprofit organizations to be considered as employers under the PSE program. Through the 1960s as employment and training evolved, community-based organizations (CBOs) took on an increasing role as service deliverers, in part to satisfy the participatory philosophy underlying the War on Poverty, and also to increase the capability of manpower programs to reach minority group target populations. When CETA was adopted, however, the role of CBOs was threatened, and a serious attempt was made by the national CBOs, such as OIC and the National Urban League, to assure the participation of nonprofits in the delivery of employment and training services. The new legislation attempted to respond to this need by requiring prime sponsors to use community-based organizations "with demonstrated effectiveness."

A renewed threat to the CBOs emerged in 1977, however, when under

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the Economic Stimulus Act, PSE under CETA was more than doubled, while other components of the Act were only modestly increased. The expansion of PSE raised serious questions about displacement effects and targeting on persons in greatest need. Again, the CBOs rallied in support of greater participation in the PSE segment of CETA, and as a result, the amended legislation in 1977 required such organizations to be considered as PSE employers. The shift to an emphasis on specific projects for PSE workers also increased the attractiveness of CBOs as PSE employers.

This brief history is important because it emphasizes the political pressures for local prime sponsors to select nonprofit organizations as employers under PSE. More specifically, the choice confronting local prime sponsors is not so much the application of rational decision-making, based on a careful assessment of the capabilities of nonprofit organizations, but rather the necessity to choose such organizations in such a way as to minimize the political cost to local elected officials in making the wrong choice in selecting nonprofits to participate as employers under PSE. The dynamic political environment in which such choices are made involves many calculations of risk and reward which cannot be easily encompassed in the type of deterministic decision-making model developed by the authors. Indeed, one can question the capacity of deterministic models to reveal the richness and diversity of the local decision-making process which characterizes the administration of PSE programs.

Specifically, the authors used the likelihood estimation procedure (LOGIT) to explain the prime sponsor's choice of nonprofit employers. This method relieves the researchers of all the assumptions of linear estimation, mainly the problem that "goodness of fit" statistics are weaker than they should be when dealing with dichotomous variables. But, the authors had to exercise a great deal of judgment in categorizing the nonprofits in terms of their "collective good." This might explain why this variable did so poorly in the analysis. Not only is this important in terms of the categorization of nonprofits (i.e., whether neighborhood oriented, serving demographic groups, etc.), but this was the data entered into the logit analysis of the Mayor's Office of Employment and Training (MOET) selective process.

MOET, however, surely had other evaluation criteria that were probably related to the independent variables selected by the researchers. The result is that Galchick and Wiseman find a certain mix of nonprofits that won out in the CETA-PSE selection process, but what this tells us about CETA targeting effectiveness is not clear; nor do we know how much of the selection process is explained by the variables selected.

The second stage of the analysis looks at the characteristics of CETA job-holders by agency characteristics, but does not deal adequately with the relationship between such characteristics and what the nonprofit does, which might explain why the city government looks better than nonprofits in terms of targeting. Participation only measures part of the targeting effectiveness. For a more complete test, it would be better to compare CETA employee characteristics with the non-CETA employees in each organization in order to determine if the "targeting" was a natural outgrowth of the occupational structure or was a substantial change from previous practice.

Similar methodological problems are seen in the authors' treatment of the displacement issue. The San Francisco Board of Supervisors evaluation apparently defined displacement as any case in which there was "inappropriate use of CETA-subsidized personnel." This distorts the findings because those organizations with employment training as a "normal" function were more likely to be guilty of displacement, and displacement was directly correlated with "number of positions assigned to the agency." If PSE policy were based on these findings, decision-makers would have to favor (a) small agencies, and (b) nonemployment-oriented nonprofits. That would be a peculiar choice in view of the goal of moving PSE participants eventually to unsubsidized employment.

Until post-CETA outcomes can be measured, a full comparison of government and nonprofit organizations as CETA-PSE employers cannot be made. There may be different kinds of OJT in the nonprofit jobs. The question is, which sector has the highest rate of transfer to unsubsidized, private-sector jobs?

Finally, one must keep clearly in mind the objectives of employment and training programs in any attempt to evaluate their effectiveness. The Galchick-Wiseman paper represents a good first step in the direction of specifying the goals, then attempting to measure the program impact. The paper presents much on which future research can be based.

DISCUSSION

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Each of the papers presented at this session addresses important questions and makes significant contributions to the state of knowledge regarding the empirical impact of public service employment (PSE). To some extent, though, the topics of two of these papers represent a marked and, in my estimation, healthy shift in the sorts of questions that are being emphasized in this field of research. The paper by Briggs, Rungeling, and Smith (BRS) investigates one of the more traditional questions of importance in PSE research, transition of participants into nonsubsidized employment. But the other two papers by Cook and Rawlins (CR) and Galchick and Wiseman (GW), both products of the Brookings-Princeton monitoring studies of PSE, are aimed at the largely heretofore ignored set of management-implementation issues which are central to the actual delivery of PSE.

Interest in this new set of issues should not come at the expense of continued research into the more traditionally heavily studied PSE questions such as transition, substitution, and post-program income effects; indeed a persuasive case can be made that given the increased expenditures for PSE, this research is more important than ever. But increased emphasis must also be given to the important and complex issues of just how the CETA can best deliver PSE at the local level. Assuring that PSE has its intended impact depends just as certainly on proper management and implementation as on proper program design. How can decision-makers in the CETA system best reconcile competing program objectives (the CR paper)? How can local program managers best select subgrantees to deliver their programs (the GW paper)? There are, as anyone who has tried to manage a PSE program from whatever level can testify, many more unanswered questions in this management-implementation sphere.

Turning attention first to the BRS paper, the particular issue addressed is the transition of PSE workers in the rural South to unsubsidized employment. The paper argues that the emphasis which has been placed on transition, both through congressional mandates and admin-

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istrative interpretations by the U.S. Department of Labor, is ill-advised when applied to the rural South. Labor markets in the rural South are said to be so weak (i.e., good jobs are so scarce) that real opportunities for transition are practically nonexistent and little is therefore accomplished by forcing CETA participants to cycle through the limited number of available PSE slots. The empirical portion of the paper analyzes the determinants of transition into unsubsidized employment for a sample of rural South PSE participants.

There are some problems with the argument that an emphasis on transition for rural South PSE participants is particularly misguided. Although there are characteristics of labor markets in the rural South that make this area more or less unique (e.g., the lack of reliable labor market information), the shortage of good jobs is not one of them. In big cities, for example, good jobs are if anything even more scarce than they are in the rural South. Cities like Detroit and New York certainly have at least as difficult a time transitioning PSE participants. Furthermore, although comparisons with the BRS data are difficult because different definitions of a successful transition are used, data from the Continuous Longitudinal Manpower Survey (CLMS) indicate that transition in the country as a whole is almost as difficult as is the case in the rural South.[1]

Congress and the Administration were aware of these difficulties when they chose in 1978 to let PSE participants gain whatever work skills and experience they can within the 18-month time limit. A conscious choice was made that PSE would be used to promote whatever nonsubsidized employment it could (in the structural Title II-D) and to bridge cyclical downturns (in Title VI) but that PSE would not be used as a long-term means of support for particular public jobs. The sort of institutional support BRS would like PSE to provide would seem to better come from such programs as revenue-sharing and economic development aid.

The striking aspect of the empirical results of the BRS paper is that they leave the local PSE program manager with almost no tools that can affect successful transition. Those variables that are significant in the regression equation (sex, age, time in program, and employment of other family members) are, especially after the 1978 CETA reauthorization, largely removed from local control.

The CR paper addresses an issue of central importance to PSE (and more generally to CETA) policy-makers; that is, whether a program that is different things to so many relevant actors in the system can

[1] Three to six months after termination, CLMS results indicate that about 60 percent of the former PSE participants are in nonsubsidized employment.

survive. Their conclusion is that while the involved parties had been able to strike a workable bargain regarding the PSE program that existed under the original CETA bill (some displacement, some local fiscal relief), the restrictions in the 1978 CETA reauthorization (targeting, time limitation) may have destroyed that bargain.

I personally am not as pessimistic as the authors regarding this question. It certainly does seem true that there are more conflicting demands placed on the PSE system today than at any time in the past. But it is, in my mind, premature to conclude that a new bargain between the federal government and the prime sponsors may not be achievable. The regulations implementing the 1978 CETA reauthorization have been in place less than a year, and it is well to keep in mind that a different type of bargain, such as certainly might be expected given the dramatic change in the authorizing legislation, does not necessarily represent a breakdown in the bargaining process. For example, if post-1978 PSE turns out to rely more heavily on community-based organizations than on local governments, that change must be judged in the overall context of the advantages (e.g., perhaps more targeting) and disadvantages (e.g., perhaps poorer, more segregated jobs) that result.

The CR paper argues that the limitation on average PSE wages has been one of the most important sources of friction between the federal government and the prime sponsors. It is true, as the authors note, that the original Administration position in the CETA reauthorization debate favored reduced PSE wage limits although the authors fail to note that the wage limits in the original Administration proposal were above those finally enacted. Small differences in these average wages may turn out to be important. One currently debated hypothesis in PSE research has it that the current average wages are $300 to $500 below those wage levels that would be necessary to give PSE workers access to good, local government jobs.

This threshold hypothesis obviously requires additional careful testing, but its validity may be important in deciding the extent to which PSE in its current form can be used as a countercyclical tool. The authors note the remarks of Secretary of Labor Ray Marshall in a recent speech where he indicated that PSE would be an integral part of any future stimulus package that might be recommended by the Administration. Realizing that it would not be possible to expand PSE as rapidly as was done in 1977 does not, of course, preclude the use of PSE as a countercyclical tool. It only means that policy-makers must either look for other tools to carry part of the burden of employment creation or look to legislative or administrative changes to make PSE hiring easier.

The GW paper also discusses an issue of importance to local managers of PSE programs. Given the growing reliance on nonprofit organizations in the delivery of PSE, under what conditions are these organizations most likely to pursue either national or local PSE objectives? The authors propose four behavioral hypotheses and proceed to test the hypotheses using data collected in San Francisco during 1977.

At least one of the results from this analysis is surprising. The authors find that targeting by nonprofits in this sample is inferior to that for local government. The authors suggest that this occurs because of the types of projects undertaken by the nonprofits and conclude that the project approach may not be the best technique for serving the disadvantaged. I don't think this conclusion necessarily follows from the available evidence. Rather some sort of mechanism may be required in order to control the types of projects that are selected. For instance, projects that require a higher level of education (library work) might be shelved in favor of projects that require less education, if the social output of the two projects are roughly equivalent.

Several other conclusions are also drawn from the sample: nonprofits with a training orientation tend to employ more and younger minorities, community-based organizations hire more minorities than other nonprofits, and targeting is worse for the nationally affiliated nonprofits. Although it is useful to have these results, the analysis should, and I assume will, be pushed further. It would be of interest to develop more sophisticated hypotheses that might allow us to sort out *why*, for example, targeting is worse for nationally affiliated nonprofits. Otherwise policy-makers might be led to possibly erroneous conclusions (e.g., eliminating national nonprofits, not using the project approach) when other factors are at play (such as outlined in the previous paragraph) which also bear heavily on the observed outcomes.

VIII. CONTRIBUTED PAPERS: TRADE UNIONS/COLLECTIVE BARGAINING

Union Decision-Making and the Supply of Union Representation: A Preliminary Analysis*

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Why has the unionized sector in the United States been declining? Although research has been done on the determinants of unionization in the United States, almost all of this research has focused on the reasons why workers might want to join unions.[1] Rather little attention has been paid to the supply of union services. It is as if the supply of union representation for workers were infinitely elastic. Yet 56 major international unions and their affiliates (see Table 1) accounted for 98 percent of all single-union nondecertification representation elections held by the National Labor Relations Board between July 1972 and September 1978. Further, these unions differ substantially in how much of their resources they devote to organizing and how those resources are allocated across various potential members.

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[1] Most of the work in this area has been done on the macro level and has followed Orley Ashenfelter and John H. Pencavel, "American Trade Union Growth: 1900–1960," *Quarterly Journal of Economics* 83 (August 1969), pp. 434–48. For an example of recent micro work in this area, see Henry S. Farber and Daniel H. Saks, "Why Workers Want Unions: The Role of Relative Wages and Job Characteristics," *Journal of Political Economy*, forthcoming.

TABLE 1

Basic Data on Unions in Sample

Name	Elections 1972–1978[b]	Primary Jurisdiction[a]	Percent of Elections in Primary Jurisdiction[b]
Aluminum Workers	101	Primary metals	26
Allied Indus. Workers	275	Non-elect. machinery	17
Boilermakers	237	Non-elect. machinery	10
Graphic Arts Int. Un.	499	Printing & publishing	81
Boot & Shoe Workers	25	Leather goods	80
Bricklayers	18	Construction	22
Iron Workers	335	Construction	4
Service Employees I.U.	1792	Health care	53
Bakery & Conf. Workers	510	Food products	58
Carpenters	1168	Construction	10
Cement Workers	142	Stone, clay, glass	44
Retail Clerks	2407	Retail trade	68
Chemical Workers I.U.	218	Chemicals	44
Distillery Workers	52	Food	58
Electrical Workers (IBEW)	1783	Elect. equipment	16
Operating Engineers	1016	Construction	14
United Garment Workers	10	Apparel	50
Glass Bottle Blowers	31	Stone, clay, glass	45
Flint Glass Workers	12	Stone, clay, glass	83
Grain Millers	151	Food	63
Leather Goods Workers	46	Leather	26
Laborers Int'l Union	788	Construction	9
Hotel, Restaurant & Bartenders	1227	Hotels	87
Ladies Garment Workers	265	Apparel	60
Longshoremen (ILA)	182	Water transit	13
Machinists	2626	Machinery	20
Meat Cutters & Butcher Workmen	1408	Food	30
Molders	242	Primary metals	36
Office Employees I.U.	560	Health services	7
Painters	296	Construction	14
Plasters & Cement Masons	1	Construction	0
Plumbers (UA)	202	Construction	35
Printing & Graphic	521	Printing & publishing	64
Paper Workers	534	Paper	40
Roofers	13	Construction	92
Television & Radio Artists	108	Communications	97
Seafarers I.U.	190	Water transit	9
Sheet Metal Workers	428	Construction	11
Amal. Transit Union	76	Local & suburban transit	78
Teachers (AFT)	71	Education	87
Teamsters	15691	Motor freight transit	15
Automobile (UAW)	1873	Transportation equipment	21
Clothing Workers (ACWU)	187	Apparel	43
Electrical (IUE)	491	Elect. & elect. machinery	29
Furniture Workers	172	Furniture & fixtures	49
Glass & Ceramic Workers	54	Stone, clay, glass, concrete	48
Marine & Shipbuilding Workers	36	Transportation equipment	22
NMU	50	Water transit	10
Mine (UMW)	114	Bituminous coal	87
Newspaper Guild	94	Printing & publishing	83
Oil, Chemical & Atomic Workers	511	Chemicals	26
Ret., Wholesale, Dept. Store	803	Health services	45

TABLE 1—*Continued*

Name	Elections 1972–1978[b]	Primary Jurisdiction[a]	Percent of Elections in Primary Jurisdiction[b]
Rubber, Cork, Linoleum, Plastic	365	Rubber	50
Steelworkers	1719	Primary metals	17
Textile Workers Union	192	Textile mill products	43
Transport Workers Union	12	Local & suburban transit	33
Communications (CWA)	865	Communications	51
Utility Workers Union	90	Electric, gas, sanitary	83
Woodworkers	185	Lumber & wood products	65
Electrical Radio & Machine	110	Electrical & electronic	22
Longshoremen & Warehousemen	216	Food & kindred products	9
Amal. Clothing & Textiles	195	Apparel	37
Mechanics (MESA)	16	Fabricated metal	19
ANA	527	Health services	100

[a] Source: Bureau of Labor Statistics, *Directory of National Unions and Employee Associations, 1975*, Bull. 1937 (Washington: U.S. Government Printing Office, 1977).

[b] Source: Data supplied to the authors by Data Systems Branch, National Labor Relations Board.

This paper represents some *preliminary* attempts to understand why unions tend to organize in particular places. The focus here is on the proportion of elections contested outside of a union's primary jurisdiction.[2]

The Decision-Making Framework

It is reasonable to think that union leaders, like other economic actors deciding on the allocation of scarce resources, compare the marginal gains from further expenditures of resources in a particular activity and the marginal costs of such expenditures. Applied to this research, the special problem is calculating the benefits of additional organizing and deciding who reaps them. For analytic purposes, it is useful to distinguish two models of union decision-making: the median voter model and the bureaucratic maximization model.

Median Voter Model

If we think of unions as essentially democratic organizations, then the leadership must act to retain the support of a majority of the membership. Even when there is a distribution of tastes with respect to some policy, so long as those tastes are monotonically related to some

[2] For purposes of this paper, a union's primary jurisdiction was defined as that SIC two-digit industry in which the union had the largest percentage of its membership in 1975.

variable such as income or seniority, we can describe a democratic decision as that which appeals to the median (income or seniority) voter and we can use information about that decision to infer the preferences of that median voter.[3] It seems reasonable to assume that union members want their union to maximize their expected real wages after adjustment for working conditions and that a democratic union's organizing behavior centers around that goal.[4] "Expected" wages are maximized because members must trade the risk of higher unemployment (especially among low-seniority workers) for the gain of higher wages as they move up the demand curve for their services. This suggests that, in order to minimize the employment costs associated with any given wage gain, unions engaged in furthering the interests of their members will try to use their organizing resources to reduce the elasticity of demand for their services subject to budget and other possible constraints.

What does labor's demand elasticity depend upon? Assume an industry output is produced by union labor, nonunion labor, and capital. Ignoring capital and assuming that nonunion labor is supplied perfectly elastically at a given wage, the Marshall-Hicks conditions apply directly.[5] The elasticity of demand for union labor will be smaller: (1) the harder it is to substitute nonunion labor for union labor and (2) the smaller is the elasticity of demand for the industry's final product. Increasing the share of the work force unionized has an ambiguous effect on the demand elasticity for unionized workers. Only if the elasticity of final product demand is greater than the elasticity of substitution of unionized for nonunionized workers will a greater unionized share of the work force raise the elasticity of demand for unionized workers. Another way of saying this is that it is fine to be unimportant in the production process only so long as it is easier for consumers to substitute away from the product than it is for employers to substitute away from union labor.

These rules imply that a union's organizing, given a budget, would

[3] For further discussion, see, for example, James M. Buchanan and Marilyn R. Flowers, *The Public Finances: An Introductory Textbook*, 4th ed. (Homewood, IL: Richard D. Irwin, 1975). Where there are many alternative employment choices, we might observe situations where all members agree and the median voter has the same preferences as everyone else.

[4] This is the essence of business unionism. In fact, the United States as a mixed and partially regulated economy dominated by interest group politics means that political power for union leaders based on delivery of votes, influence, and campaign finance can be also used to further the objectives of business unionism by reducing competition from the unorganized sector.

[5] J. R. Hicks, *The Theory of Wages*, 2nd ed. (London: MacMillan, 1963), pp. 241–46.

be designed to, ceteris paribus, reduce substitution in the product and factor markets but not necessarily to raise the unionized share of an industry's work force. There is an important conflict implicit in these rules. Using union political power to raise wages and improve working conditions in the unorganized sector will reduce the demand elasticity for unionized labor. But such policies (e.g. Davis-Bacon, OSHA, Fair Labor Standards Act) also reduce the union-nonunion differential and make it harder for unions to expand.

Bureaucratic Maximization

Under certain conditions, one can imagine that the democratic constraints on the leadership would be somewhat slack and that the leadership could pursue their own objectives even when they diverge somewhat from those of the membership. In such situations, it is reasonable to believe that an important leadership objective might be to maximize the size of the union and the financial resources available to the leadership.[6] Not only would a substantial amount of money be spent on recruiting new members into the union, but the choice of where to organize would be based solely on a calculation of the extra union members gained per dollar spent subject to a budget constraint.

What are the behavioral consequences of this principle? For purposes of institutional security, the union must organize workers in firms that produce products that compete with those of unionized firms. Once unions become established in a sector, it may be easier (i.e., less costly) for the union to convince workers to select it as their representative. The union will have a perceived record of success in obtaining terms and conditions of employment for its members that were superior to what they could have obtained without the union. As union penetration in the sector increases, it is likely to become more difficult for the union to recruit new members within that jurisdiction.[7] With substantial costs and only minimal benefits in membership growth from organizing, the leadership is likely to look for unorganized potential members in industries outside of the union's primary jurisdiction.

In other words, unions where leaders have more autonomy are likely to direct more of their organizing to where it is cheap than to where it most reduces the demand elasticity for current members' services. In

[6] For a discussion of the principle of bureaucratic maximization, see, for example, William Niskanen, "Nonmarket Decision Making: The Peculiar Economics of Bureaucracy," *American Economic Review* 58 (May 1968), pp. 293–305.

[7] For example, see Daniel Bell, "Prospects for Union Growth" (orig. pub. 1954), in *Contemporary Labor Issues*, eds. Walter Fogel and Archie Kleingartner (Belmont, CA: Wadsworth, 1966), p. 225–28.

such unions, more organizing activity should be outside the traditional jurisdictions.

Toward an Empirical Model

In hopes of testing some of the hypotheses implicit in the above discussion, we have been assembling a data set and developing an empirical model. We want to discuss a small piece of this work. We can decompose the decision about where to organize into a chain of two probabilities: the probability of organizing outside of the union's traditional primary jurisdiction and, given that, the probability of organizing a work place with some particular characteristics. Here, we are interested in predicting the former, the decision to organize outside of the primary jurisdiction, and determining which of the two models is the more useful for doing this.

From our above discussion, we expect the probability that a union will contest an election inside its primary jurisdiction (P_I) to depend on whether such behavior is expected to lower the elasticity of demand for union services and/or the degree to which a union's leadership is prevented from pursuing or permitted to pursue a bureaucratic maximization goal. We have used a logit specification to make a preliminary estimate of the relationship.[8] The log of the odds of a union's contesting an election within its primary jurisdiction[9] is a linear function of the following variables: (1) U_u, the percentage of all workers in u's primary jurisdiction covered by collective bargaining agreements;[10] (2) ΔE_u, the change in employment in union u's primary jurisdiction between 1973 and 1978;[11] (3) M_u, the percentage of union u's membership in its primary jurisdiction;[12] (4) K_u, the percentage of the union's agreements covering 1000 workers or more that contain union- or agency-shop provisions;[13] and (5) S_u, the size of the union. In addi-

[8] This is appropriate because probabilities lie between zero and one. See Henri Theil, *Principles of Econometrics* (New York: Wiley, 1971), pp. 628–36.

[9] Data on the odds were obtained from the Data Systems Branch of the National Labor Relations Board and cover the time period July 1972 to September 1978.

[10] Estimates for two-digit industries were weighted means of the three-digit estimates in Richard B. Freeman and James L. Medoff, "New Estimates of Private Sector Unionism in the United States," *Industrial and Labor Relations Review* 32 (January 1979), pp. 143–74.

[11] The average value of U_u is 51 percent. Data obtained from various issues of Bureau of Labor Statistics, *Employment and Earnings*.

[12] Data obtained from Bureau of Labor Statistics, *Directory of National Unions and Employee Associations, 1975*, Bull. 1937 (Washington: U.S. Government Printing Office, 1977).

[13] The data were obtained from a tape supplied by the BLS of the characteristics of all private-sector collective bargaining agreements covering 1000 workers or more on July 1, 1975.

tion, we have included variables suggested by Sara Gamm[14] (G_u^1, G_u^2, G_u^3) that are designed to capture the extent to which the union's governmental structure contributes to democratic decision-making in the union.

Our expectations about the signs of the coefficients follow from the behavioral considerations discussed above. If union organizing is designed to minimize demand elasticity, we expect that rising employment in an industry would make it easier to substitute nonunion for union workers so that unions in growing (primary) jurisdictions would want to organize those new plants to reduce substitution elasticity. Since those new workers are also unlikely to have demonstrated a strong preference against the union, organizing these workers would be perceived to be cost effective.

We have no expectation for the sign on the coefficient on U_u since it depends on the relative magnitudes of the demand and substitution elasticities.[15] We do expect that unions whose members are mostly within one jurisdiction would mainly try to reduce the demand elasticity for their single-jurisdiction members and focus organizing within that jurisdiction (i.e., reducing the substitution elasticity). Unions that have many agency-shop clauses in their contracts are especially powerful. Such powerful unions may not feel the need to seek workers outside their regular jurisdictions.

The final set of variables tests the importance of the bureaucratic maximization hypothesis. The larger a union, the more difficult for members to control the leadership. Expectations for the other organizational variables are displayed in Table 2.

The results, presented in Table 2, suggest that the median voter model is more consistent with the observed behavior than is the bureaucratic maximization model. The coefficients on M_u, ΔE_u, and K_u are significantly positive. The signs on the coefficients on union size and the three union-structure variables were insignificant. This suggests that differences in union governmental structure may not be an important determinant of differences across unions in the manner in which they allocate their organizing resources.

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[14] More detail on the manner in which these variables were constructed can be obtained from the authors upon request. See Sara Gamm, "The Election Base of National Union Executive Boards," *Industrial and Labor Relations Review* 32 (April 1979), pp. 295–311.

[15] The sign is also ambiguous for the bureaucratic-maximization model since the marginal membership per change in organizing effort should change sign at least once.

TABLE 2
Results for Logit Analysis

	Expected Signs MV	BM	Coefficient (t-statistic)
U_u	?	?	.012 (1.49)
ΔE_u	+	+	.0004* (3.54)
M_u	+	?	.038* (4.80)
K_u	+	+	.015* (2.74)
S_u	?	−	−.0000003 (0.78)
G_u^1	?	+	.203 (0.56)
G_u^2	?	+	−.431 (1.16)
G_u^3	?	−	−.114 (0.29)
Number of observations			56
F			8.01

* Significant at .01 level or less.

Conclusion

These preliminary results seem to support the view that some union organizing behavior is consistent with minimizing the demand elasticity for members' services rather than with maximizing the size of the union. We are developing a more general model based on the structure of industry which we hope will explain why unions contest elections at particular firms and industries.

Recent Trends in Union Decertification/Deauthorization Elections

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Introduction

Until recently, industrial relations researchers have chosen to avoid descriptive, theoretical, and empirical studies concerned with the topics of union decertification elections (RD) and union shop deauthorization polls (UD). Whatever the reasons for this lack of research, we are left with incomplete or nonexistent answers to important questions such as: (a) Why do workers decertify their unions? And, (b) why do workers choose to rescind the authority of their unions to make and enforce union shop clauses in their collective bargaining contracts?

Happily, in the past two years we have witnessed a reversal of the above trend. Several authors have expanded our knowledge of the decertification process through their published studies,[1] and there are signs that the union shop deauthorization poll will also receive similar treatment in the literature.[2]

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[1] The original treatment of this issue in the literature is by Joseph Krislov, "Union Decertification," *Industrial and Labor Relations Review* 9 (July 1959), pp. 589–94. Recent works in this area include John Anderson, Gloria Busman, and Charles O'Reilly III, "What Factors Influence the Outcome of Decertification Elections," *Monthly Labor Review* 102 (November 1979), pp. 32–36; I. Chafetz and C. R. P. Fraser, "Union Decertification: An Exploratory Analysis," *Industrial Relations* 18 (Winter 1979), pp. 59–69; James B. Dworkin and Marian M. Extejt,, "Why Workers Decertify Their Unions? A Preliminary Investigation," *Proceedings of the 39th Annual Meeting*, Academy of Management, 1979, pp. 241–45; William Fulmer, "When Employees Want To Oust Their Unions," *Harvard Business Review* 56 (March/April 1978), pp. 163–70; Joseph Krislov, "Decertification Elections Increase But Remain No Major Burden To Unions," *Monthly Labor Review* 102 (November 1979), pp. 30–32; W. A. Krupman and G. I. Rasin, "Decertification: Removing the Shroud," *Labor Law Journal* 30 (April 1979), pp. 231–41.

[2] The most recent study in this area is by James B. Dworkin and Marian M. Extejt, "The Union Shop Deauthorization Poll: A New Look After 20 Years," *Monthly Labor Review* 102 (November 1979), pp. 36–39. Earlier studies include Sanford Cohen, "Union Shop Polls: A Solution to the Right-to-Work Issues," *Industrial and Labor Relations Review* 12 (January 1959), pp. 252–54, and Chester A. Morgan, "The Union Shop Deauthorization Poll," *Industrial and Labor Relations Review* 12 (October 1958), pp. 79–85.

In keeping with this recent interest in these two types of elections held by the NLRB, the purpose of this paper is twofold. First, a historical description of these elections will be presented along with a brief analysis of recent, major trends in usage and win rates. Second, and most importantly, a theoretical framework will be developed from which testable hypotheses can be derived regarding workers' decisions to decertify their unions and deauthorize the authority of their unions to make union shop clauses. Examples of the types of testable hypotheses generated through this model will be presented and the results of the empirical tests will be discussed.

Descriptive Data Analysis

Much of the legal and historical background of these two types of elections is contained elsewhere[3] and need not be repeated here. Suffice it to say that both of these elections were "born" in the Taft-Hartley Act of 1947, over the objections of organized labor in each case.

Table 1 contains a summary of various aspects of interest with regard to RD and UD elections held by the NLRB from 1947 through fiscal year 1978. Based upon the data in Table 1, a few rather clear trends can be noted. First, as can be seen from an examination of column 2, RD and UD petitions[4] have accounted for an increasing portion of the NLRB's representation caseload over time. Similarly, the proportion of total representation elections which are of the RD and UD variety has steadily increased over this time period (column 3). While it would be unfair to say that the NLRB is inundated with these types of cases, it is interesting to note the clear upward trends both in terms of absolute numbers and percentages with respect to RD and UD petitions/elections.

Columns 4 and 5 report decertification and deauthorization rates. In each case, unions have traditionally lost a large majority of such elections. The decertification rate has remained above the two-thirds level since this election was inaugurated, and in more recent years has not fallen below 70 percent. The deauthorization rate, after declining modestly for a number of years, seems to be on a slight upward trend. Based upon the data presented in Table 1, it is fair to conclude that

[3] For a more complete discussion of the legal and historical background of RD and UD elections, see Dworkin and Extejt, "Why Workers . . . ," p. 241, and Dworkin and Extejt, "The Union Shop . . . ," pp. 36–38.

[4] The filing of an RD or UD petition does not guarantee that an election will follow. Petitions may be withdrawn by the petitioner or dismissed by the NLRB for several reasons. In 1978, 807 RD elections were held out of 1,754 petitions filed. Similarly, there were 140 UD elections out of 298 petitions filed in 1978.

TABLE 1

Trends in Decertification/Deauthorization Elections (1947-1978)[a]

(1) Year(s)	(2) RD+UD as % of Total Representation Petitions	(3) RD+UD as % of Total Representation Elections	(4) Decertification Rates	(5) Deauthorization Rates
1947–1959	5.4 (5,514/102,484)	2.9 (1,766/61,920)	66.6 (1,084/1,627)	60.4 (84/139)
1960–1969	6.6 (7,702/116,705)	3.9 (2,880/73,148)	68.0 (1,628/2,395)	64.3 (312/485)
1970	7.7 (924/ 12,077)	5.0 (388/ 7,773)	69.8 (210/ 301)	62.1 (54/ 87)
1971	8.6 (1,110/ 12,965)	6.3 (498/ 7,961)	69.6 (279/ 401)	58.8 (57/ 97)
1972	9.1 (1,252/ 13,711)	6.5 (548/ 8,472)	70.3 (317/ 451)	57.7 (56/ 97)
1973	9.7 (1,357/ 14,032)	6.2 (556/ 8,916)	69.5 (315/ 453)	54.4 (56/103)
1974	9.8 (1,380/ 14,082)	7.3 (608/ 8,368)	69.0 (338/ 490)	58.5 (69/118)
1975	10.5 (1,375/ 13,083)	7.8 (626/ 8,061)	73.4 (379/ 516)	55.5 (61/110)
1976	11.9 (1,692/ 14,189)	9.0 (722/ 8,027)	72.8 (445/ 611)	55.9 (62/111)
1977	14.6 (2,098/ 14,358)	11.5 (991/ 8,635)	76.0 (645/ 849)	57.0 (81/142)
1978	15.9 (2,052/ 12,902)	11.3 (947/ 8,380)	73.6 (594/ 807)	63.6 (89/140)
Overall Rates	7.8 (26,456/340,588)	5.0 (10,530/209,661)	70.0 (6,234/8,901)	60.2 (981/1,629)

Source: *NLRB, Annual Reports for Fiscal Years 1948-1978.*

[a] Absolute numbers in parentheses.

RD/UD elections have become more commonplace in recent years and that unions continue to lose in a great majority of such elections.

Theory and Hypotheses

While time and space limitations preclude a thorough theoretical treatment of the two major research questions mentioned above, the basic theory can be sketched so as to provide the reader with our motivation for the empirical analysis which follows.

In both cases, we are considering a *group* of workers who are currently living under a collective bargaining contract. Whether they are union members or not is irrelevant for our purposes.[5] The key issue is that they are covered by a collective bargaining contract.[6] In the case of a decertification election, the workers must decide whether they wish to remain covered by a collective bargaining contract with their current union as their exclusive bargaining agent or return to a nonunion

[5] Obviously, if data were available on individual voting decisions in RD/UD elections, the issue of whether an individual worker is a union member or not could be quite an important one to investigate. Nonunion members in the bargaining unit would seem to be more likely to vote in favor of decertification, although even this is uncertain as some workers may like the benefits they receive without the necessity of paying dues. In any event, this would be an interesting empirical question to investigate. By definition, in the case of a UD election, all workers covered by the contract also must be union members.

[6] For a recent treatment of the union membership and collective bargaining coverage distinctions, see Richard B. Freeman and James L. Medoff, "New Estimates of Private Sector Unionism in the United States," *Industrial and Labor Relations Review* 32 (January 1979), pp. 143–74.

situation. The union shop deauthorization poll allows the workers to choose whether they wish to retain the link between union membership and employment or not. If the majority of eligible voters indicate their preferences for deauthorization, the individual worker regains the option of choosing whether to be a union member or not. In such situations the union retains its exclusive bargaining agent status, but it is no longer able to enforce the union shop clause in the existing collective bargaining contract.

Why would groups of workers choose to decertify their unions or deauthorize the ability of their unions to make and enforce union shop clauses in their collective bargaining contracts? While a myriad of factors might be important in these choice processes, in theory, groups of workers make these decisions based upon the comparison of expected utilities to be derived from the various states of affairs.[7] For instance, workers who believe that the expected utility to be derived from a union job is greater than that of a nonunion job should be observed to vote against decertification. Similarly, groups of workers who perceive greater utilities from tying employment to union membership than allowing each worker the freedom to make this union-membership choice should vote in favor of continued authorization.

Therefore, the choice process of groups of workers involved in RD and UD elections can be modelled as in equations (1) and (2), respectively:

$$D_i = E(A_{ni}) - E(A_{ui}) \tag{1}$$

$$F_i = E(B_{ni}) - E(B_{ui}) \tag{2}$$

In equation (1), $E(A_{ni})$ refers to the expected utility associated with the current job if it becomes a nonunion one, while $E(A_{ui})$ is the expected utility if it remains a union job. Each person (or group of people) i will make the choice to decertify or not based upon an evaluation of (1) above. That is, wherever we observe $D_i > 0$, the workers will choose to decertify their union.

A similar evaluation process exists with regard to the question of union shop deauthorization. Groups of workers evaluate (2) based upon the difference between the expected utility of removing the union shop clause $E(B_{ni})$ and the expected utility of retaining the clause $E(B_{ui})$. Wherever $F_i > 0$, the workers will vote in favor of deauthorization.

As a parsimonious example of how the above decision-making

[7] For a much more elaborate theoretical treatment of a similar problem, see Henry Farber and Daniel H. Saks, "Why Workers Want Unions: The Role of Relative Wages and Job Characteristics," *Journal of Political Economy* 87 (forthcoming 1979). Also see Dworkin and Extejt, "Why Workers . . . ," pp. 241–42.

process may be modeled, we have chosen to focus on three variables that seem to be relevant in the evaluation of expressions (1) and (2) above. These variables are time, union dues, and bargaining-unit size.

First, it is expected that *time* will be an important element in these choice processes. More specifically, we hypothesize that unionism is an *experience good*, that is, the longer that a group of workers has experienced unionism (union shop arrangements), the less likely they will be to desire to revert back to nonunion (free choice) status. This argument is based on the supposition that workers become more and more comfortable or used to unionism (compulsory unionism) over time and that people are less likely to make drastic changes in their lifestyles as this "comfort factor" increases in magnitude. If unions do have a positive impact on wages and working conditions, we would expect that the longer a group has been represented by a union, the less likely they will be to decertify. The specific hypotheses relating to time are:

> H_1: The probability of decertification is greater for groups of workers who have been unionized for relatively short periods of time.
>
> H_2: The probability of deauthorization is greater in those units which have operated under a union shop arrangement for relatively short periods of time.

Another important factor expected to enter into the decision-making process is the level of *union dues*. All other things equal, it is expected that higher dues will lead to a higher probability of decertification. In a similar fashion, higher dues should lead workers to be more willing to vote for deauthorization. In that manner, they might still enjoy some of the benefits of unionization without having to incur the perceived high costs. If we imagine a number of bargaining units each perceiving the *same* benefits of unionism, our prediction is that the bargaining unit with the highest dues will be most likely to decertify/deauthorize. More formally stated, the hypotheses with regard to dues are:

> H_3: Given similar benefits, higher dues lead to a greater probability that a given bargaining unit will vote to decertify the exclusive bargaining agent.
>
> H_4: Given similar benefits, higher dues lead to a higher probability that the majority of eligible voters in the bargaining unit will cast votes in favor of deauthorization.

The final variable expected to play a role within the context of the above framework is *bargaining unit size*. It can be argued that national

unions will be much more interested in preserving status quo situations where lots of workers are involved rather than in those instances where only a few workers are involved. The marginal service dollar seems to be better spent on the large units. If unions do a poorer job in servicing their smaller locals, the workers in these locals will eventually come to realize that they are deriving few, if any, benefits from unionization and/or compulsory membership. In essence, our hypotheses relating to bargaining unit size can be stated as:

> H_5: Larger bargaining units have lower probabilities of voting for decertification.
>
> H_6: Larger bargaining units are less likely to vote in favor of rescinding the authority of their exclusive bargaining agents to enforce union shop clauses.

In the following section, empirical tests of the above hypotheses will be presented and discussed.

Empirical Results

The hypotheses above were tested employing NLRB data on RD and UD elections held in fiscal year 1978, the most recent year for which complete data were available. In this year, the NLRB conducted a total of 807 RD elections and 140 UD polls. In the case of RD elections, observations on bargaining unit size and outcomes were gathered from various issues of *NLRB Election Report* for fiscal year 1978. Data on time since certification had to be collected directly from the Regional Offices of the NLRB. In all, 32 out of 35 Regional Offices complied with our requests for data. Union dues data were obtained from the Department of Labor and extracted from *Labor Organization Annual Report Form LM-2,* as required under the Labor-Management Reporting and Disclosure of 1959. With the exception of union dues, all data on UD elections had to be collected directly from the NLRB Regional Offices.

Table 2 reports the means for all of the variables employed in the study. Note that in the case of RD elections, 285 out of 390 units cast votes in favor of decertification (73.1 percent). This compares favorably with the overall decertification rate for fiscal year 1978 of 73.6 percent (594 decertifications out of 807 RD elections). The same picture (of a representative sample) does not hold true for UD cases. Out of 73 usable UD cases, only 34 instances of deauthorization were recorded (46.6 percent). However, for all UD elections held in 1978, the deauthorization rate was 63.6 percent (89 deauthorizations out of 140

polls). Thus, there is some question as to the representativeness of the outcomes of UD cases in our sample as compared to the outcomes of all UD elections held in fiscal year 1978.

TABLE 2
Means of Variables Used in the Analyses

	Number	Time (Months)	Dues (Monthly)[a]	Unit Size
Decertified	285 (73.1%)	52.88	3.32	37.13]*
Not decertified	105 (26.9%)	73.06	3.66	88.52]
Deauthorized	34 (46.6%)	58.3]*	4.54]*	114.44]*
Not deauthorized	39 (53.4%)	17.9]	2.84]	257.33]

* Differences between these pairs of means are significant at the .01 level, 2-tailed *t*-test.

[a] Reported data reflect monthly average per capita dues paid to the national union. Data on local dues were not available.

The means of the independent variables presented in Table 2 are not all ordered as expected. For decertification elections, only the unit size means are ordered as hypothesized and significantly different (*t*-test, two-tailed). The time since certification means are ordered as expected but not significantly different. Union dues means for the two groups are just the opposite of what was expected, but not statistically significantly different.

With regard to the means of the independent variables used in the UD case analyses, it can be noted that all three pairs of means are significantly different at the .01 level (*t*-test, two-tailed). While the means for dues and unit size are ordered as expected, a surprising finding was that the mean number of months elapsed between the negotiation of a union shop clause and the holding of a UD election was significantly greater for those units that deauthorized than for those that voted for continued authorization.

Table 3 presents the results of probit log-likelihood analyses of the probability of decertification/deauthorization using the variables specified above. The dependent variable was coded as 0 = not decertify/not deauthorize and 1 = decertify/deauthorize.[8] As can be seen from an examination of Table 3, the hypotheses stated earlier were only partially supported.

The results indicate that *dues* and bargaining unit *size* are important

[8] Multiple regression analysis was not employed because with a binary dependent variable the assumption of homoskedastic disturbances is not tenable, and because the linear probability function allows $E(Y)$ to fall outside the unit interval.

TABLE 3
Probit Results:
The Probability of Decertification/Deauthorization
(asymptotic *t*-values in parentheses)

Variable	Decertification Coefficients	Deauthorization Coefficients
Time	3.93 E-04 (.75)	4.88 E-03 (1.06)
Dues	.1176 (6.09)	1.45 E-02 (.352)
Size	−1.86 E-03 (−2.61)	−7.76 E-05 (−.344)
N	390	73
Log-likelihood	−36.46	4.15

determinants of the vote in decertification elections. As expected, larger units are less likely to decertify while units with higher dues (holding benefits constant) have a greater probability of decertification. *Time* since certification seems to have little relation with the bargaining unit vote on whether or not to decertify.

For the probability of deauthorization results, none of the variables employed is an important determinant of the outcome of the vote. Note that the signs of the estimated coefficients on *dues* and *size* are as expected, while the sign on *time* is opposite of what was predicted.

Conclusions

Several concluding remarks can be made based upon the findings of this study. First, it seems likely that RD and UD elections will continue to make up an increasing segment of the NLRB's total representation caseload. Second, it seems apparent that unions will continue to lose in the vast majority of these types of elections. It will be interesting to see if recent academic interest in these types of elections and their outcomes will increase practitioner interest as well.

With regard to the theory and hypotheses relating to RD and UD election outcomes, it is clear that more work needs to be done. Only two of our six hypotheses were empirically supported. The theory of why workers decertify their unions/deauthorize the authority of their unions to compel them to join unions needs to be refined and tested with better data. Perhaps an entirely different theory should be derived for UD elections? Since so little work has been done in this area, it would seem to be one particularly ripe for further study of a theoretical/empirical variety. Instead of the bargaining unit level of analysis and cross-sectional framework used here, it would be desirable to test a model where the *individual* voter became the unit of analysis and where

observations were available over some longer time period. Or, where the level of analysis is at the bargaining unit, it might be interesting to look at the margin of victory as the dependent variable of interest.

Thus, much work needs to be done before we can answer the two major research questions posed above with any degree of confidence. Hopefully, the preliminary theory and empirical estimates presented here will encourage others to look further and deeper into the questions of why workers decertify their unions and why workers vote to deauthorize union shop clauses in their collective bargaining contracts.

Negotiating Away Narrow Skill Jurisdictions

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In 1976 The Conference Board, Inc., a nonprofit research organization, surveyed labor relations executives at 199 "*Fortune* 1000" industrial companies about "barriers to increased labor productivity." Of 131 unionized companies, 85 (65 percent) reported that their labor productivity had been impaired significantly over the previous ten years. Within this group, the executives ranked narrow skill jurisdictions as their most significant barrier to increased labor productivity and the one they had most frequently attempted to overcome through collective bargaining.[1]

"Horizontal" boundaries between workers at approximately equal levels of skill, such as journeymen pipefitters and journeymen plumbers, obviously restrict management's ability to transfer workers among tasks. Such distinctions between different types of labor are most likely to result as a company adds new types of jobs and creates new classifications for workers assigned to them. If economic expansion stops and/or technology changes, it may not be possible to reassign the workers where they will be most productive. The most difficult situations occur when the different types of workers also belong to different, narrowly specialized craft unions. All of the successful efforts to overcome "horizontal" barriers reported in The Conference Board's survey occurred in plants organized by industrial unions.

Similarly, "vertical" boundaries between grades of labor in the same seniority line, such as helpers, journeymen, and lead workers also restrict management's flexibility and may result in workers being used at less than their full productive capacity. "Vertical" distinctions between workers arise in the course of training and the acquisition of skills. Here the key problem is barriers that may keep workers from doing advanced work which they are already qualified to do—or could quickly learn to do, if allowed.

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[1] Preliminary results were published in David C. Hershfield, "Barriers to Increased Labor Productivity," *Conference Board Record* 13 (July 1976), pp. 38–41. The author would like to thank The Conference Board for permission to use confidential data.

In this paper, we will examine some approaches to overcoming "horizontal" and "vertical" jurisdictional barriers by several participants in The Conference Board's survey. The basic themes running through these cases are:

- The proliferation of "horizontal" skill classifications may be due to management laxity at the outset, when the scope of job responsibilities on new operations should be carefully defined.
- When existing "horizontal" skill classifications are combined, pay scales and seniority lines must be carefully merged.
- "Vertical" jurisdictional problems may result from informal, unstructured training programs which lack clear lines of progression to higher skill levels.
- The resolution of a "vertical" problem may offer the opportunity to ease "horizontal" problems, too, by setting up formal training programs that cross "horizontal" lines.

The three basic approaches to jurisdictional problems illustrated by the following case studies are: consolidating formal "horizontal" job descriptions, instituting "additional skills" programs, and changing "vertical" systems.

Consolidating Formal Jurisdictions

A midwestern-based petroleum company pursued a long-range program of negotiating consolidation of skill jurisdictions. It proceeded cautiously, paying close attention to the concern for job security felt by locals of the Oil, Chemical and Atomic Workers (OCAW) with whom it negotiates.

According to one of the company's labor relations executives,

> Via the consolidation of departments and their seniority groupings, along with elimination of numerous wage rate classifications . . . , we eliminated substantial numbers of jurisdictional claims to work assignment rights. This in turn eliminated 60–80 percent of time formerly wasted throughout the day in the delays while waiting to move the right craft or right classification to a job. It also eliminated considerable overtime pay and out-of-line pay formerly attributed to narrow seniority rights for temporary assignments.

Most of the excessively narrow jurisdictions at the company had come about through local management's efforts to organize work for specific purposes during rapid expansion in the decade following World War II. For example, when refineries introduced fork lifts into their

maintenance departments, they had created a specific job classification of fork lift operator. Management now feels that it would have been wiser to assign fork lift duties to (a) any qualified worker in the plant, or (b) any qualified worker in the maintenance department, or at least (c) any qualified equipment operator.

There were no written job descriptions at the company's plants, but the union could, and did, cite "prevailing practice" in grievance and arbitration proceedings. The union of course insisted that a worker be assigned to the highest paid work he could qualify for. This resulted in company payments for "walking time" as a worker travelled to a new job and "waiting time" for the workers idled until he arrived to do his specialty, which could be as simple as disconnecting a hose on an obsolete motor-driven pump so that it could be dismantled.

In the late 1950s, as the company adopted new technology and consolidated operations, the volume of jurisdictional grievances began to rise. This suggested to management that pairs of trades which were disputing similar work (such as plumbers and pipefitters) might in fact be part of the same, broad skill grouping (such as "pipe workers"). Around 1970 the company began formally to negotiate a "horizontal" consolidation of closely related seniority lines.

Wages and benefits were increased slightly and rates for skills within consolidated departments were made uniform. In return, local unions agreed to drastic reductions in the number of seniority lines—in one refinery, from more than 120 in 1970 to only 20 by 1976. Lists were sometimes combined according to straight plant seniority, but more often were merged in a "Y" pattern (see Table 1).

The consolidation of seniority classifications of course automatically broadened the amount of work "peculiar to" an employee's classification. In addition, the new contract gave management the right to assign an employee outside his classification to do minor tasks "directly related and incidental to" his work or the geographic area of his employment in the plant.

Alleviating Job Insecurity

An eastern-based petroleum company took a more direct approach to workers' concern for job security. In return for putting in writing its policy on avoiding layoffs, it achieved a broadening of "horizontal" job classifications at one of its refineries.

This company feels that it is part of management's normal responsibility to project personnel requirements far enough in advance to avoid disruptions in the work force. Yet, at one refinery local management had persisted in such practices as laying off maintenance staff while con-

TABLE 1

The "Y" Method of Merging Seniority Lists

On the upper bars of the "Y," existing seniority lists for the original trades are retained for assigning work in the original trades (senior workers do not have to learn new skills). On the leg of the "Y," the existing lists are combined according to plant seniority, for use in the event of layoffs. All new entrants into the consolidated department will then be listed on the leg of the "Y" below the present workers.

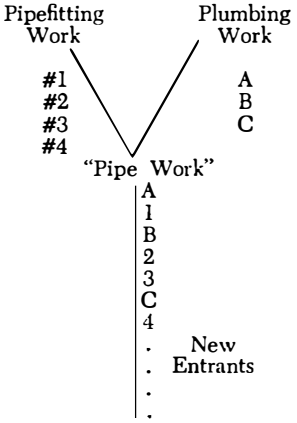
Before Consolidation

There are 4 men in the pipefitting department and 3 in the plumbing department, listed according to years in their departments:

Pipefitting Dept.	Plumbing Dept.
#1: 20 yrs.	A: 25 yrs.
2: 12 yrs.	B: 18 yrs.
3: 10 yrs.	C: 9 yrs.
4: 6 yrs.	

After Consolidation

The combined list looks like this:



tracting out major maintenance work, and workers had reacted by gradually developing restrictive practices in order to safeguard their jobs.

In the late 1950s, after the closing of the Suez Canal, the refinery suddenly laid off 5 percent of the work force just six months after a new collective bargaining agreement had been signed. When that contract came up for renewal, the local union of the Oil, Chemical and Atomic Workers proposed formal limits on jurisdictions and contracting out, in an attempt to avoid future layoffs.

After a lengthy strike, during which supervisory personnel kept the refinery operating, the company inserted a letter of agreement into the contract, formally stating its intention to make no layoffs, except for seasonal purposes, under normal circumstances. (In the event that unexpected layoffs became necessary, it would discuss with the union ways of avoiding the layoffs, and the union would have the right to terminate the contract upon 60 days' notice.) The company also assured the union on the issue of contracting out that it had "no plans to depart from its practice of placing primary reliance on its own employees to perform work in the plant that they have historically done."

In return for the company's pledge to protect the existing work force, the union agreed that it would "cooperate in eliminating ineffi-

cient work practices" and "relax jurisdictional lines of jobs to the extent that the company may more economically utilize the work force." The company proceeded to use craftsmen outside their usual jurisdictions on "incidental work" of short duration and to gradually change jurisdictions as equipment and work methods changed over the years.

As a result of this agreement, the company achieved significant savings in labor costs. Even with occasional periods of hiring (sometimes for expansion of the refinery), the work force fell by 50 percent in less than 20 years. The refinery made no layoffs, except during slack seasons.

Adding Additional Skills

Another way of dealing with the problem of narrow skill jurisdictions is to "cross train" employees to work in several skills. Mainly because of union objections, this is usually done only with new entrants.

At a midwestern-based chemical company the great bulk of production and maintenance workers were represented on an industrial union basis, yet many jobs were set up on a craft basis, with four-year apprenticeships. In the late 1950s the company began installing "general maintenance man" apprenticeships in all the new plants it opened. The new apprenticeships also took four years, but the graduates were fully qualified to be assigned to (and management had the right to assign them to) any maintenance work in the plant.

In 1975 the company got contractual agreement to offer a "general maintenance man" program at all its older plants as well. Management later estimated that it took one year of training for the average maintenance journeyman to learn *all* the other maintenance crafts.

The wages for qualified "general maintenance men" were set higher than the top rate for any of the specialists in the separate crafts. Craftsmen who refused the additional training retained their jobs at wage rates; the company was willing to wait until they retired to reorganize their work.

Union Carbide's "Second Skill" Program

A more limited version of the additional skills approach was taken at the Union Carbide Corporation's South Charleston, West Virginia, plant. This was an outgrowth of a "job enrichment" program begun in 1971 for a unit of nonunion, salaried laboratory technicians. The next year, self-scheduling and a greater voice in decision-making were extended on an experimental basis to two groups of unionized maintenance workers. The company made no attempts to cross jurisdictional boundaries.[2] In 1973 a "Maintenance Second Skill Program" was nego-

[2] J. D. Cooke and R. Perelman, Jr., "Job Enrichment at Union Carbide," *Hydrocarbon Processing* (April 1974), pp. 196–210.

tiated with the local union of the International Association of Machinists.

The South Charleston plant was Union Carbide's oldest petrochemical plant, dating from the 1920s. It reached its physical limit in the early 1950s and employment has been declining under pressure from newer, lower-cost Union Carbide facilities. Under the old contract, there were 19 maintenance classifications, with identical wage scales. Job assignments, "to the extent practicable," had to be "consistent with the principal job duties and skills of an employee's classification."

The new Maintenance Second Skill Program was mandatory for all new apprentices and transferees to maintenance jobs. The company was to select trainees and specify which second skill each had to learn. In return, it guaranteed that no current employees as of the date of the new contract would be laid off as a result of the program.

As of 1976, total training time for apprentices was allocated about 75 percent to the primary skill (such as electrician) and 25 percent to the second skill (such as instrument technician). Seniority was accumulated only in the primary skill. When a particular job had to be done, if a worker with the required primary skill was not available, management could assign instead a worker who had the required skill as his second skill.

Changing "Vertical" Systems

A midwestern-based petroleum company began a comprehensive program of "vertical" consolidations at its plants in 1960. Under the old system, an occupational line had three levels of workers: helpers, journeymen, and a "layer out," who planned the work to be done by the lower-rated workers. The system was very unstructured: a worker could remain a helper all his life unless a journeyman's slot happened to open up or plant expansion created new slots.

Management won the union's agreement to change the system basically by offering the numerous workers in the helper category greater status and income through formal apprenticeship programs. It also slightly increased journeyman pay scales and "red circled" the wage rates of current holders of lead jobs.

Rates were consolidated into four or five apprentice levels and one journeyman level in each seniority line. Former helpers entered various levels of apprenticeships according to scores on standardized tests. Their training involved developing greater proficiency in their original skills and also learning additional skills—a "horizontal" feature which increased their value to the company.

Since jurisdictional restrictions had been removed, management

could send out fewer people to do a given job. A few lead workers and some older, specialized helpers who didn't want to go through apprenticeships took voluntary severance payments. The final result by the mid-1970s, taking into account some "horizontal" consolidations and subcontracting programs as well as the "vertical" consolidations, was a reduction in maintenance jobs to 25–30 percent of 1957 levels.

IX. CONTRIBUTED PAPERS: MANPOWER/MINORITY ISSUES

The Secondary Labor Market's Effects on the Work-Related Attitudes of Youths*

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The purpose of this paper is to examine the effects of early labor market experiences on the work attitudes of youths, particularly the extent to which secondary labor market or "bad" jobs shape youths' attitudes in an antiwork direction. More specifically, the key interest is in ascertaining what happens to the work attitudes of youths who are comparable on the basis of initial attitudes, pre-labor market background, and human capital characteristics, but who subsequently differed in terms of weeks of unemployment, weeks worked, earnings, occupational assignments, and occupational advancement. Thus, the principal concern of this study is not with whether the "unrealistic" attitudes of youths become tempered by the oftentimes harsh realities of the world of work. More importantly, the concern is for whether youths' attitudes which can *not* be deemed as unrealistic also are shaped in an antiwork direction because of the realities of the youth labor market, particularly the market segmentation which may irreversibly misallocate youths during the early stages of career formation.

There are a number of reasons for an interest in this subject. First, while conventional and segmented labor market theories both agree that positive work attitudes are conceptually important for the establish-

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ment of successful employment careers and that labor market experiences may in turn affect the work attitudes which individuals hold, there has been little research by economists on the subject.[1] Second, the existing studies show clearly the importance of positive work attitudes for the establishment of successful employment careers.[2] Needless to say, however, the effects of unfavorable labor market experiences on the work attitudes of youths are important in their own right, irrespective of any feedback effects to subsequent labor market experience.

A third reason for interest in this subject is the recent debate about the "scarring" effects of youth unemployment and the propriety of particular types of public intervention into the youth labor market—e.g., public employment and training programs, CETA, YEDPA, wage subsidies, private-sector initiatives, and the like.[3] Even those who doubt that youth unemployment has long-run economic consequences have failed to come to grips with the social and psychological scars that may result, or the social unrest in urban areas that may be produced by substantial numbers of idle youths. As economist Bernard Anderson put it:

> . . . many black youths aged 16 to 19 are not involved in any kind of work experience. I think that is very threatening to the development of positive values—a good self-image, a wish to make a contribution to the community, and so forth. The social dimension of this, it seems to me, may be more important in many ways than the economic one. I think the high rate of unemployment among young people certainly threatens the stability of many communities, surely many inner city minority communities.[4]

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[1] Glen G. Cain, "The Challenge of Segmented Labor Market Theories to Orthodox Theory," *Journal of Economic Literature* 14 (December 1976), p. 1223.

[2] See, for example, Paul J. Andrisani, *Work Attitudes and Labor Market Experience* (New York: Praeger, 1978); B. Becker and S. Hills, *Teenage Locus of Control and Adult Unemployment* (Columbus: Center for Human Resource Research, Ohio State University, 1979); P. Andrisani, "Internal-External Attitudes, Personal Initiative, and the Labor Market Experiences of White and Black Men," *Journal of Human Resources* 12 (Summer 1977), pp. 308–28.

[3] B. Becker and S. Hills, "Teenage Unemployment: Some Evidence of the Long-Run Effects on Wages," *Journal of Human Resources* (forthcoming); D. Ellwood, "Teenage Unemployment: Permanent Scars or Temporary Blemishes," National Bureau of Economic Research Working Paper (mimeo); S. Stephenson, "The Transition from School to Work with Job Search Implications," in *Conference Report on Youth Unemployment: Its Measurement and Meaning*, eds. R. Taggart and N. B. Davidson (Washington: U.S. Government Printing Office, 1978), pp. 65–86; and M. Corcoran, "The Employment, Wage, and Fertility Consequences of Teenage Women's Nonemployment" (Ann Arbor: Survey Research Center, University of Michigan, 1979).

[4] B. Anderson, "Conference Discussion," in *Youth Unemployment* (New York: Rockefeller Foundation, 1977), p. 38.

Furthermore, in a world where many skills are learned informally on the job rather than through formal schooling, and where subsidized employment and training for youths oftentimes do not impart any real marketable skills, it is the *kind* of jobs youths hold and the concomitant OJT they thereby receive that may be more important to the development of positive work attitudes and habits, and stable work histories, than the presence versus the absence of early work experience—irrespective of whether it is concurrent with schooling or after leaving school. Youth employment programs and subsidies, whether in the public or private sector, that create secondary labor market or "bad" jobs may generate antiwork attitudes and poor work habits and histories among youths without imparting any marketable skills. As Lester Thurow has noted: "If the program is seen as slack on work discipline, it could easily end up being counterproductive. Employers would avoid hiring workers with such job experience because it had inculcated the wrong work habits."[5] The point is made even more poignantly by Anderson, whose 1975 evaluation of manpower programs gave them a clean bill of health on balance:[6]

> We need to stop this business of creating a lot of make-work jobs that do not enrich the experience of young people, that do not provide them with marketable skills, that, if anything, lead them, especially the minority youth in the inner cities, to believe that the way to get something out of the system is to have a hustle. It has a very bad effect on young people to know that there is no useful purpose to be served in many of their jobs. . . . We need to see it as a youth labor market problem, rather than a youth unemployment problem.[7]

Recent Research

To a considerable degree research efforts into issues such as these have been hampered by the unavailability of longitudinal data on large national samples of youths. Without longitudinal data it is not possible to examine either the relationship between youths' work attitudes and subsequent work experiences, or the relationship between changes in youths' attitudes and intervening labor market experiences. Aside from the National Longitudinal Surveys (NLS), or Parnes data, there are indeed few, if any, longitudinal surveys on large national samples of youths that have the combined breadth of attitudinal measures and

[5] L. Thurow, "Youth Unemployment," in *Youth Unemployment* (New York: Rockefeller Foundation, 1977), pp. 26–27.

[6] C. Perry et al., *The Impact of Government Manpower Programs* (Philadelphia: Industrial Research Unit, Wharton School, University of Pennsylvania, 1975).

[7] Anderson, p. 41.

work history detail.[8] Recent studies with the NLS data for men 14–24 years of age provide some tentative evidence that unfavorable labor market experiences early in work careers can influence youths' attitudes in an antiwork direction, thereby reducing their chances for establishing stable and successful employment careers.[9] Moreover, the unfavorable experiences appear to be linked to labor market segmentation, since they reflect widely varying labor market experiences among ostensibly comparable youths—comparable even in terms of their attitudes *prior* to the occurrence of the unfavorable employment experience.

Among out-of-school white and black young men, for example, those in the more prestigious occupations in 1966 and those who advanced the most occupationally over the next three years increased their occupational aspirations the most between 1966 and 1969.[10] In contrast, those in the lowest status jobs initially and those who subsequently advanced the least or were demoted reduced their aspirations the most between 1966 and 1969. Furthermore, among black youths, those in better paying jobs initially and those whose earnings grew the most during the next three years became more ambitious in career objectives between 1966 and 1969. Those in the lower paying jobs initially and those whose earnings advanced the least between 1966 and 1969 reduced their occupational goals the most during the period. These results were obtained by regressing changes in occupational aspirations between 1966 and 1969 on *changes* in hourly earnings and occupational status between 1966 and 1969. In addition, to assure that comparable young men were being considered, control variables for individual differences at the beginning of the period were also included in the regressions—e.g., for years of schooling, completion of formal occupational training, years of general on-the-job training, years of service with 1966 employer, health status, marital status, region of residence, degree of urbanization in the local labor market, and initial levels of wages, occupational status, aspirations, work commitment, and preferences for noneconomic vs. economic rewards.

Another study showed that while a considerable number of white and black young men from this same cohort shifted from so-called secondary to primary sector jobs between initial entry into the labor force (pre-1966) and 1969, a considerable number also remained within

[8] For a complete description, see *The National Longitudinal Surveys Handbook* (Columbus: Center for Human Resource Research, Ohio State University, 1979).

[9] For a summary, see P. Andrisani, "The Establishment of Stable and Successful Employment Careers," in *Conference Report on Youth Unemployment:Its Measurement and Meaning*, eds. R. Taggart and N.B. Davidson (Washington: U.S. Government Printing Office, 1978), pp. 87–112.

[10] *Ibid.*, pp. 105–107.

the secondary sector—about a fifth of the whites and two-fifths of the black youths.[11] Moreover, among those youths whose first jobs were in the secondary sector, those whites and blacks unfortunate enough to remain in the secondary sector reported less positive work attitudes than those who were ostensibly comparable but fortunate enough to have advanced into the primary sector.[12] Thus, the variance in unfavorable labor market experiences among ostensibly comparable youths—i.e., confinement to secondary sector jobs vs. advancement to primary-type jobs—was again linked to differences in youths' work attitudes.

Furthermore, for this NLS cohort of youths and their female counterparts as well, there is considerable evidence that negative attitudes toward their jobs resulted from real disparities in occupational attainment and promotional opportunities among comparable youths.[13] While moving through the youth labor market during the late 1960s, those youths who held higher status jobs and received promotions, regardless of the income and job security the jobs provided, tended to be less inclined than ostensibly comparable youths to have negative attitudes toward their jobs.[14] Thus, labor market segmentation, causing comparable youths to vary widely in occupational status and promotions, was found to be consistently linked to levels and changes in youths' attitudes toward their jobs.

One final study, on older men rather than youths, however, is also noteworthy. After first demonstrating that changes over a two-year period in individuals' responses to 11 questions ascertaining commitment to the Protestant work ethic were sufficiently large as to indicate real changes in attitude rather than simply the unreliability of the measure, the authors regressed the actual changes in attitudes on several aspects of the older men's labor market experience over the two-year period.[15] A wide range of by-now standard control variables were also included in the regression, permitting analysis of whether men who were equal in terms of work ethic and other relevant characteristics at the beginning of the period changed their work ethic in ways that were consistent with their intervening labor market circumstances. The results of the analysis suggested that this was indeed the case: upward occupational mobility, improvement in annual earnings, and the absence of unemployment were found to be related to increasing commitment

[11] P. Andrisani, *An Empirical Analysis of the Dual Labor Market Theory* (Columbus: Center for Human Resource Research, Ohio State University, 1973), pp. 56–58.

[12] *Ibid.*, pp. 67–83.

[13] Andrisani, *Work Attitudes . . .*, pp. 38–47.

[14] *Ibid.*, p. 92.

[15] H. S. Parnes et al., *The Pre-Retirement Years* 4 (Washington: U.S. Department of Labor Manpower Research Monograph No. 15, 1975), pp. 207–21.

to the Protestant ethic. The authors concluded that since the work ethic attitudes of older men were not impervious to changes in their labor market circumstances, the work ethic of youths should be even more highly influenced by their early work experiences.

Taken as a whole, these findings from the NLS are also consistent with the recent research by psychologists. Bachman's longitudinal study of youth showed that loss of employment lowered youths' perceptions of self-esteem, for example, while Goodwin and Wilson's data showed that intentions to become economically independent were affected by previous work histories.[16]

Empirical Results

Data from the NLS cohort of male youths for the 1966–1971 period have been used here. To assure that implications from the findings would be most relevant for public policy purposes, the sample has been restricted to those young men who were not enrolled in school at any time from 1966 to 1971, who had completed no more than 13 years of schooling, and for whom complete information was available. Three work attitudes which were measured in the NLS at more than one point in time were used: (1) occupational aspirations reported in 1966 and 1971 in terms of the Duncan Index; (2) self-confidence, a four-item attitude scale asked only in 1968 and 1971; and (3) Protestant work ethic beliefs, a seven-item attitude scale asked only in 1968 and 1971. After differencing before and after scores, each of the three *change* in attitude measures was regressed on six aspects of the youths' work experience during the intervening period:[17] (1) weeks of unemployment; (2) weeks worked; (3) average hourly earnings in cents per hour (AHE) at the beginning of the period; (4) change in AHE during the period ($\triangle AHE$); (5) occupational attainment in the base year measured by the Duncan Index; and (6) change in occupation during the period measured by differencing scores on the Duncan Index ($\triangle Occupation$).

To assure that comparable youths were being examined, the following control variables measured as of the beginning of the period were included in each regression: education, years out of school, completion of formal occupational training, years of service with employer, health,

[16] J. G. Bachman, P. M. O'Malley, and J. Johnston, *Adolescence to Adulthood: Change and Stability in the Lives of Young Men* (Ann Arbor: Institute for Social Research, University of Michigan, 1978); and L. Goodwin and J. Wilson, "The Social Psychological Basis for Choosing Work or Income Support Programs," preliminary report submitted to the Office of R and D, Employment and Training Administration, U.S. Department of Labor, 1979.

[17] The intervening period is 1966–1971 in the case of the first work attitude examined and 1968–1971 in the other cases.

race, socioeconomic status, national origin, marital status, children, region of residence, degree of urbanization of area of residence, military service, rank in military, scores on a labor market information test, and scores on the particular attitude scale reported at the beginning of the period. The results of these regressions are presented in Table 1.

TABLE 1

Regression Results—Net Relationships Between Changes in Attitudes and Intervening Labor Market Experiences Among NLS Young Men (t-ratios)

Intervening Experience	Aspirations	Self-Confidence	Protestant Ethic
Weeks of unemployment	—.079 (—1.88)*	—.013 (—2.07)*	—.017 (—1.78)*
Weeks worked	.043 (1.81)*	—.001 (—0.39)	.001 (0.15)
AHE (cents)	—.009 (—1.02)	.002 (1.91)*	—.002 (—1.21)
ΔAHE (cents)	.005 (1.07)	.003 (4.96)**	.002 (2.05)*
Occupation	.005 (8.33)**	.060 (0.80)	.317 (2.67)**
ΔOccupation	.005 (9.11)**	.041 (0.52)	.266 (1.83)*

* Significant at a $p<.05$; ** Significant at a $p<.01$.

In each of the regressions, weeks of unemployment were related to the development of negative work attitudes among youths. Those youths with the most weeks of unemployment during the period experienced the greatest declines in occupational aspirations, self-confidence, and adherence to the Protestant work ethic. Furthermore, those with the least work experience registered the greatest declines in career ambitions, although the absence of work experience did not have a perceptible effect on changes in perceived self-confidence or commitment to the work ethic. The data also show that those youths in lower paying jobs at the beginning of the period were likely to experience greater declines in reported self-confidence than comparable youths in better paying jobs.

Movement into lower paying jobs and failure to advance out of them were also found to be related to the development of antiwork attitudes, while movement out of lower paying and into better paying ones appears to enhance youths' self-confidence and work ethic. The strongest links between the labor market experiences of youths and

their work attitudes can be seen in the data pertaining to occupational standing and advancement. The findings are consistent with the earlier NLS study on all male youths, although only those with 13 or fewer years of schooling are examined here. Youths who were in the lower status jobs at the beginning of the period, who moved into lower status jobs during the period, or who failed to advance out of lower status jobs, were more likely to lower their career ambitions and decrease their commitment to the Protestant work ethic than comparable youths in more favorable occupational circumstances. Conversely, the data suggest that being in the more prestigious occupations and advancement into more prestigious occupations are associated with the enhancement of career objectives and commitment to the Protestant work ethic.

Conclusions

This paper has reviewed earlier studies and reported new findings suggesting that the wide variance in early labor market experiences among ostensibly comparable youths is systematically linked to the development of youths' work attitudes. Among comparable youths who entered the work force during the tight labor markets in the late 1960s, those unfortunate enough to work in secondary-type jobs appeared to have been adversely affected by the experience. Jobs prone to unemployment, low wages, low status, and limited opportunities for advancement were seen to shape youths' attitudes in an antiwork direction. Since the youths were comparable in terms of a wide range of control variables, including their attitudes at the beginning of the period, the findings suggest that realistic and positive work ethics among youths may become systematically eroded by the unfortunate pathology of segmentation within the youth labor market.

While it is not possible to tell whether these antiwork effects are "permanent scars or temporary blemishes," to use the jargon of David Ellwood, the findings are nonetheless important for several reasons. First, they suggest that youth unemployment matters in social and psychological terms. Second, they suggest that the *kind* of jobs youths hold should be an extremely important consideration in developing manpower policy, perhaps more important than levels of youth unemployment. Furthermore, they suggest that unemployment may be a better alternative for youths than jobs which are secondary in character, whether in the private or public sector. Youth employment programs and wage subsidies must be mindful of the antiwork consequences of jobs which do not develop marketable skills. Third, the findings are important because they were observed among a sample of youths with 13 or fewer years of schooling during a period of tight labor markets.

These youths should closely approximate the group most likely to encounter difficulties in making a successful transition from school to work. Moreover, it is likely that youth unemployment and secondary types of jobs would have even more serious antiwork effects in the loose labor markets of recent years.

Although the findings are of course subject to all the usual caveats attendant to survey research, even with longitudinal data, they are nonetheless impressive because they were observed with extensive controls for the effects of other factors aside from youths' labor market experiences. Ceteris paribus conditions were also quite closely approximated since the youths examined were rendered comparable even in terms of their initial work attitudes. Thus all the individual components which cause *both* labor market experience and work attitudes, and which should be correlated over time, are theoretically partialled out by controlling for initial attitudes. It therefore seems more credible that the observed relationships are attributable to the unemployment and kinds of jobs youths encounter.

Finally, public policy could and should seek to offset the negative, antiwork effects of loose labor markets, and the pathology of the youth labor market in particular, by providing long-run incentives to work and giving good reasons for youths to believe that hard work and human capital investments early in life will pay off over the course of the life cycle. The antiwork effects of loose markets and secondary types of jobs on the attitudes of youths may possibly remain for years to come, and they have unfortunately faced the vast majority of one of the largest cohorts of youths ever to enter the labor force. Worse yet, this cohort of baby-boom youngsters has faced what may possibly be, relative to their aspirations and expectations,[18] perhaps the worst set of labor market constraints ever to have faced preceding generations. At the very least, manpower employment programs and subsidies for youths should not themselves contribute to an erosion of the work ethic among youths and thereby be counterproductive.

[18] Clark Kerr and Jerome Rosow, eds., *Work in America: The Decade Ahead* (New York: Van Nostrand, 1979).

The Cyclical Responsiveness of Married Females' Labor Supply: Added and Discouraged Worker Effects*

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This paper reexamines the conceptual foundations of previous analyses of the discouraged worker phenomenon among married females. Though complete data to draw firm conclusions are not yet available, existing information does permit a reformulation of the problem in a framework consistent with expected wage theory. It is concluded that the size of the female population working and willing to work is responsive to *both* cyclical and long-term structural labor market characteristics, but in different ways. In particular, I find no evidence of discouraged worker behavior among married females during the last recession, once structural characteristics of each labor market are controlled. In fact, married women now enter the labor force, on net, during recessions, in contrast to earlier studies.

The Problem

A growing body of literature suggests that there are persistent and long-term differences in the way labor markets operate. Robert Hall's provocative piece[1] suggests that a labor market with higher than average wages will tend to have higher than average unemployment. Thus the expected value of wages in high unemployment cities will be equal to the expected value of the lower wages in areas with lower jobless rates. Ali Reza has recently confirmed that "the earnings-unemployment relationship is a characteristic of long-run equilibrium."[2]

This fundamental proposition suggests that cross-sectional patterns

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* I have benefited from comments by Glen Cain and an anonymous referee. I assume responsibility for any remaining errors. Computer support from the University of Wisconsin and Cornell University is gratefully acknowledged.

[1] Robert E. Hall, "Turnover in the Labor Force," *Brookings Papers on Economic Activity* (3:1972), pp. 709–64.

[2] Ali M. Reza, "Geographical Differences in Earnings and Unemployment Rates," *Review of Economics and Statistics* 60 (May 1978), p. 206.

of labor force participation reflect, at least in part, a "permanent" wage-unemployment response peculiar to each labor market represented in that cross section. Another part of the cross-sectional behavior represents responses to transitory deviations about each permanent wage-unemployment equilibrium. In this paper it is contended that cyclical responses to labor market conditions are not captured by traditional measures of local unemployment.

The standard labor supply framework used to examine this question in the cross section usually models labor force participation as a function of wages, income, the local unemployment rate, and an assortment of demographic factors proxying for tastes (age, race, etc.). In most of these studies, the partial correlation of labor force participation rates and the area unemployment rate is viewed as the net outcome of two effects. First, a high unemployment rate decreases the availability of attractive jobs which "discourages" job search and lowers participation. Second, high unemployment lowers family income below the customary levels, producing an "added" work effect as family members other than the primary earner enter the labor force.

For married women, the bulk of the cross-sectional literature appears to indicate that the net effect of local unemployment rates on participation is a negative one.[3] Early time-series studies showed a much smaller pro-cyclical labor force response of married women,[4] and recent papers show a counter-cyclical response.[5]

Resolution of this empirical paradox is of interest since a prevalent "discouraged worker" effect suggests that economic prosperity will simply draw more females into the labor force without decreasing observed unemployment rates substantially. On the other hand, if women *enter* the labor force in response to high local unemployment, and then withdraw in more prosperous periods, stimulative macroeconomic policies will reduce the overall unemployment rate more rapidly than expected. Jacob Mincer's discussion of the issue suggests that "the findings

[3] See, for instance, William Bowen and T. Aldrich Finegan, "Labor Force Participation and Unemployment," in *Employment Policy and the Labor Market*, ed. A. M. Ross (Berkeley: University of California Press, 1965); Judith Fields, "A Comparison of Intercity Differences in the Labor Force Participation Rates of Married Women in 1970 with 1940, 1950, and 1960," *Journal of Human Resources* 11 (Fall 1976), pp. 568–77.

[4] A discussion of this approach is found in Edward Alban and Mark Jackson, "The Job Vacancy-Unemployment Rates and Labor-Force Participation," *Industrial and Labor Relations Review* 29 (April 1976), pp. 412–19.

[5] A recent study finding this result is a piece by Michael Wachter, "A Labor Supply Model for Secondary Workers," *Review of Economics and Statistics* 54 (May 1972), pp. 141–51. John L. Goodman, Jr., also discusses the issues in "Spectral Analysis of the Dependence of Labor Force Participation on Unemployment and Wages," *Review of Economics and Statistics* 56 (August 1974), pp. 390–92.

in the cross section analysis constitute evidence largely in favor of a hypothesis that prolonged depressed employment conditions in an area tend to shrink the area's labor force rates."[6] The implication is that cross-sectional behavior reflects primarily a long-run response to permanent unemployment faced in each labor market, while time-series data are more likely to reveal participation response to cyclical changes. However, no previous attempts to resolve this question have been able to distinguish effectively between the behavioral response to short- and long-run labor market conditions.

These long-term differences between labor markets are probably due to various characteristics of labor markets which are difficult to measure with accuracy. However, if these factors are correlated with included explanatory variables in labor force participation models, coefficient estimates for other variables will be biased. For example, wages and employment rates are probably correlated with seasonal and industrial employment patterns specific to each labor market, educational systems vary with location, job and pay structures depend on the power of unions and discriminatory customs, and the manner in which social welfare programs are administered determines the environment in which labor supply decisions are made. As of yet each of these factors cannot be satisfactorily quantified, but controls are required in order to obtain unbiased estimates of the explanatory variables of interest.

In the next section I examine *both* cross-section and time-series results for a panel of data on major U.S. cities over the period 1968–75. The labor force participation equation is similar to those estimated by other researchers, but in accordance with the underlying hypothesis in this paper, results for separate cities and separate years are estimated. As Mincer predicted, time-series behavior differs from cross-sectional results. The novelty of the approach is that an overall response in pooled data can also be examined. Here the results are found to depend on the way city-specific structural effects are modelled.

Data and Estimation

Data from the March Current Population Survey (CPS) are available for the years 1968 though 1975. By grouping observations on married women (spouse present) living in the 19 locations identified by the CPS in each year, I obtain a panel of cross-section time-series data for the largest urban labor markets in the nation. Aggregation of micro data in this way reduces errors in measurement and variations in tastes, and

[6] Jacob Mincer, "Labor Force Participation and Unemployment: A Review of Recent Evidence," in *Prosperity and Unemployment*, eds. R. A. Gordon and M. S. Gordon (New York: Wiley, 1966), p. 81.

permits the appending of area-specific unemployment measures obtained from *Employment and Earnings* and the *Economic Report of the President.*[7] All nominal variables are deflated by a consumer price index which takes into account price variations across Standard Metropolitan Statistical Areas (SMSAs) over the eight-year period.[8]

One problem with the CPS, as with most data sets, is that wages are not observed for many sample respondents. Here two approaches are taken. First, an educational-attainment term is used as one proxy for wages. Second, a wage rate applicable to full-time female workers is imputed to all women based on location of residence. Neither approach is perfect but more elegant methods of estimating wage rates (which correct for selectivity bias) often perform about as well.[9] Husbands' income is assumed to measure family non-earned income, and should be negative in accordance with theory if leisure is a normal good. A demographic term (percent under age 25) controls for fertility and age differences; the sample excludes individuals over the age of 65. While other analysts have utilized a slightly larger set of explanatory variables in some studies, the relatively few years of labor market data available here and the small number of cities consistently sampled by the CPS require that the set of explanatory terms be limited to a bare minimum.

The model is estimated for 19 locations (using all eight years of data) and each year (with all 19 cross-sectional observations). Of central interest is the effect of local joblessness on female participation; other factors behaved as expected and are not reported in full due to space limitations. I also estimate a pooled model where participation is determined by the same variables as used above. A variant of special interest here estimates separate city intercepts as well. If city-specific effects are correlated with the other included variables, the coefficient vector in pooled data will be unbiased only when these intercepts are included.

In Table 1, panel A, I report unemployment responses within cities over time (education is used as a proxy for the offered wage rate). The time-series provides a *positive* association between married females' participation and area unemployment. Statistically significant effects appear

[7] Civilian unemployment rates are available for each area in U.S. Department of Labor, *Employment and Earnings*, Bull. 1370–12 (Washington: U.S. Government Printing Office, 1974), and in *Economic Report of the President* (Washington: U.S. Government Printing Office, 1975).

[8] This was derived from intra-SMSA cost-of-living indexes published annually by the U.S. Department of Labor, *Monthly Labor Review* (various years).

[9] See James Heckman, "Sample Selection Bias as a Specification Error," NBER Working Paper, revised 1977. In this paper Heckman shows that correction for sample censoring affects labor supply equations only slightly.

TABLE 1

Married Females' Participation Response to Area Unemployment Rates: Coefficient Estimates[a]

A. *Time-Series Results*

Location	Coefficient	*t*-statistic	Location	Coefficient	*t*-statistic
New York City	—.007	(1.01)	Washington, D.C.	.052	(5.13)
Los Angeles	—.003	(.66)	Cincinnati	.018	(1.49)
Chicago	.008	(.98)	Baltimore	—.022	(.75)
Philadelphia	.005	(.46)	Newark	—.009	(.31)
Detroit	—.003	(.36)	Minn.-St. Paul	.012	(.74)
SF-Oakland	—.004	(.05)	Buffalo	.020	(.31)
Boston	.021	(.91)	Houston	.085	(1.99)
Pittsburgh	.013	(.70)	Patterson-Clifton-Passaic	.012	(.23)
St. Louis	.054	(2.63)	Dallas	.024	(2.94)
Connecticut	.007	(.78)			

B. *Cross-Section Results*

Year	Coefficient	*t*-statistic
1968	—.015	(.76)
1969	.001	(.03)
1970	—.001	(.58)
1971	—.006	(.48)
1972	—.005	(.44)
1973	—.016	(1.94)
1974	—.013	(1.44)
1975	—.016	(1.62)

C. *Pooled Results:* without city intercepts —.003 (1.18)
with city intercepts .005 (2.19)

[a] The dependent variable is the married female labor participation rate in each city at each point in time. Explanatory variables (city averages) include husbands' (real) income, married female educational attainment, the proportion of married females under age 25, and the local unemployment rate.

for St. Louis, Washington, and Dallas, and 13 of the 19 results are positive. On the other hand in Table 1, panel B, within-year cross-sectional results are *negative* with only one exception. While no terms are statistically significant at conventional levels, this difference in results is striking. Pooled results for the entire group of cities and years reveal a negative coefficient on area unemployment when city dummies are excluded, which is consistent with the cross-sectional discouraged worker pattern. On the other hand the pooled data model which explicitly *includes* city dummies reveals a large and positive coefficient.[10]

Many more cities and years of data are required to fully substantiate this finding, but the crucial observation is that the same data base produces different results depending on whether specific cities are analyzed over time, at a point in time, or grouped together. The inclusion of

[10] The hypothesis that the set of city-specific effects is zero is rejected at the 5 percent level or better (the F statistic is 14.61, exceeding the critical level of 1.97 at F(18,129)).

dummy variables in pooled data produces a positive within-city estimator of the response to area unemployment.[11] This effect suggests a dominant added worker effect among married women, such that a 1 percent rise in area unemployment is associated with a 1 to 5 percentage point increase in wives' LFPRs.

Table 2 provides participation responses to area unemployment when a full-time worker wage rate is added to the list of explanatory terms to better control for offered wages in each labor market. The results are remarkably similar to those reported above, since cross-sectional patterns within most years are negative which suggests a net discouraged worker effect. Time-series regressions for each urban area indicate that rising local unemployment rates induce female participation. This is consistent with a net added worker response and in many cases, is statistically significant. Analysis of pooled data without city terms indicates an insignificant participation response; however, when the pooled model is expanded to include city specific intercepts, the female partici-

TABLE 2
Married Females' Participation Response to Area Unemployment Rates: Coefficient Estimates[a]

A. *Time-Series Results*

Location	Coefficient	*t*-statistic	Location	Coefficient	*t*-statistic
New York City	−.008	(1.02)	Washington, D.C.	.035	(2.09)
Los Angeles	.008	(3.08)	Cincinnati	−.004	(.375)
Chicago	−.011	(1.54)	Baltimore	.012	(1.36)
Philadelphia	.009	(4.71)	Newark	.008	(.380)
Detroit	.005	(1.96)	Minn.-St. Paul	.005	(.196)
SF-Oakland	.012	(3.66)	Buffalo	.023	(1.06)
Boston	.019	(2.50)	Houston	.011	(2.18)
Pittsburgh	.006	(.77)	Patterson-Clifton-Passaic	.087	(1.26)
St. Louis	.005	(.938)	Dallas	−.003	(1.18)
Connecticut	.004	(.80)			

B. *Cross-Section Results*

Year	Coefficient	*t*-statistic
1968	.029	(1.59)
1969	.006	(3.28)
1970	.004	(.36)
1971	−.005	(.500)
1972	−.010	(.760)
1973	−.029	(2.40)
1974	−.001	(.197)
1975	−.007	(1.03)

C. *Pooled Results:* without city intercepts .003 (1.24)
with city intercepts .007 (4.23)

[a] See notes to Table 1. The full time wage rate for married females in each city was also included as an explanatory variable.

[11] This is consistent with the analysis of Yair Mundlak, "On the Pooling of Time Series and Cross Section Data," *Econometrica* 46 (January 1978), pp. 69–85.

pation response to local joblessness is again positive and highly significant. Here too, a predominant added worker effect is observed when structural between-city differences are incorporated.

As a final check on the differential impact of transitory and long-term area unemployment, I examine female participation responses to the *difference* between average and current local unemployment over time. Results from pooled data indicate unambiguously that when local unemployment exceeds the eight-year city average, female participation rises; conversely LFPRs decline when local joblessness falls below the long-term average.[12] This net added worker effect is statistically significant whether or not city-specific intercepts are included, which supports the notion that deviations from long-term conditions are better predictors of cyclical behavior than is the reported unemployment rate. It should be noted that even in this case a majority of city terms differs significantly from zero, suggesting that these factors pick up persistent patterns of behavior in addition to the long-term unemployment conditions.[13]

Conclusion

The apparent difference between cross-section and time-series female participation responses to unemployment reported in the literature is thus resolved when city-specific characteristics first alluded to by Mincer are explicitly controlled. Though further research is required to identify the information summarized in these city-specific intercepts, theoretical arguments indicate that they should be incorporated. When they are not, static year-by-year relationships between cities show that a low female participation rate is associated with depressed business conditions. However, the relationship over time within a city or within a group of cities is positive on net, if long-term structural differences are controlled. In other words, married women enter the labor market (on net) during recession periods. This added worker response may be more relevant for policy-makers concerned with predicting labor force cyclical sensitivity, rather than estimating a mixture of long- and short-run responses to unemployment in each labor market.

[12] The variable is defined as the difference between unemployment in each city averaged over the eight years, and the current unemployment rate in that city. Without city intercepts, the coefficient of this term is —.006 (with a t-statistic of 2.57); with city intercepts, the coefficient is —.007 (with a t-statistic of 4.23).

[13] Further evidence supporting the dominance of an added worker effect appears in analysis of the underlying micro cross-section data from the CPS. A probit regression of wives' participation on economic and demographic variables similar to those used above also produces a positive unemployment coefficient when city-specific intercepts are used, but a negative coefficient when city-specific terms are excluded. See Olivia Mitchell, "The Labor Supply of Nonmarried Women," paper presented at the Econometric Society meetings, Atlanta, GA, December 28–30, 1979.

Some Estimates of Hidden Unemployment and Labour Hoarding in Canada

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Introduction

The official aggregate unemployment rate is commonly used as an indicator of the magnitude of underutilization or "slack" in the national labour market. In this capacity, however, it suffers from a number of shortcomings, which include the following. First, a substantial component of the rate is attributable to structural and frictional factors rather than to cyclical shortfalls from potential. Second, the official measure, in Canada at least, does not include those persons without work who have given up the search for jobs in the face of depressed market conditions. Third, the unemployment rate does not take into account the underutilization of employed persons since it does not explicitly incorporate the hours dimension of labour supply. The present paper reports on some recent attempts[1] to estimate labour hoarding and hidden unemployment in Canada.

Hidden Unemployment

The cyclical sensitivity of the labour force and the concepts of discouraged and additional workers are well known in the research literature of labour economics. Recently the term "discouraged worker" has enjoyed a popular usage by politicians and the media, and the importance of the general notion of the influence of labour market conditions on participation decisions is increasingly recognized. However, while the United States' Current Population Survey yields quarterly estimates of discouraged workers, Canada's estimate of the phenomenon relies on a

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[1] Detailed expositions of the methodology employed and the results obtained are to be found in Tom Siedule and Keith Newton, "Tentative Measure of Labour Hoarding," Economic Council of Canada Discussion Paper No. 128, 1979; and "Discouraged and Additional Workers Revisited," E.C.C. Discussion Paper No. 141, 1979. The present paper sets out the salient features of our findings.

single survey for the month of March 1978.[2] The estimate is for a single point in time and tells us nothing about discouraged *and additional* worker effects over the course of the cycle. We present the results of an attempt to estimate such effects for Canada over the period 1955–1978. Participation rate equations were estimated for ten age-sex groups using monthly data for the sample period, the hypothesis of a structural break in the relationships was tested and upheld, and simulations were undertaken to provide estimates of the *numbers* of discouraged and additional workers associated with fluctuations in economic activity.

The characterization of certain persons or groups as displaying the discouraged or additional worker effects is well known, but less emphasis has been placed upon the manifestation of combinations of these effects: that is, for a particular group, the discouragement effect may be the reaction to cyclical downturn but, with prolongation of adverse conditions, there may be pressure to re-enter the market. Further lengthening of the period of economic slack might again lead to discouragement, and so on. At any point in time the overall market picture will reflect the complexity of myriad participation responses. In an attempt to capture these varying responses, we estimated separate participation rate equations for males 15–19, 20–24, 25–54, 55–64, 65 and over, and the corresponding age groups for females. Second, the economic activity variable in these participation rate equations involves a distributed lag specification of an aggregate capacity utilization rate. In this formulation, the individual weights may be positive or negative and the sign of the *sum* of the weights determines a group's net characterization as "discouraged" (positive) or "additional" (negative).

The general specification for a group's participation rate was:

$$PART^k = \beta_0 + \beta_1 T + \sum_{i=1}^{m} \alpha_i INDCARTE_{t-i} + \sum_{j=1}^{p} \gamma_j UIC_{t-j} + \delta Z + \epsilon$$

in which $PART^k$ is the labour force participation rate of group k; T is a time series equal to 1, 2, 3 . . . etc. for successive observations; *INDCARTE* is the industrial capacity utilization rate, calculated from the index of industrial production by the Wharton School method; *UIC* is a proxy variable to capture the effects of unemployment insurance; and Z stands for other possible explanatory variables such as the marriage rate or the birth rate.

Since the time trend T may be highly correlated not only with *PART* but also with other regressors, estimation in level form may yield conflicting results as to the cyclical sensitivity of labour force participation.

[2] Canada's estimate of 263,000 discouraged workers, with a labour force of 10.9 million, compared with the U.S. estimate for the first quarter of 1978 of 915,000 such persons, with a labour force of a little less than 60 million.

Accordingly, the equations are first estimated in their detrended form and then the corresponding level form equations are obtained.

It is often contended that the Canadian labour market of the 1970s is qualitatively different from its counterpart of the 1960s and, in particular, the reform of UI legislation in 1971 is cited as a major contributing factor. We therefore divided the overall sample period into the two subperiods of October 1955 to June 1971 (when the UI Act was revised) and July 1971 to December 1975, and invoked the Chow test. Statistical support for this break was obtained for all groups.

In Table 1, which summarizes the essential features of the estimated equations, the designation N/A denotes "not applicable." It will be seen that the sensitivity of the groups' participation rates, as shown by the sum of weights, and the length of lag, for the economic activity variable, is rather lower in the first period than in the second, and that the unemployment insurance variable[3] has hardly entered the picture at all. It is quite possible that our UI variable fails to capture the complexity of the relevant legislation, but at the same time the support for the contention of a structural break is consistent with the widely-held notion that, along with demographic shifts and other institutional changes, liberalization of UI provisions altered participation patterns in the 1970s.

The pattern of weights for the economic activity variable, *INDCARTE*, is rather interesting. For some groups, for example, the results suggest that, if faced with a continuing period of economic slack, workers might, after a while, manifest discouragement, then, after a period of labour force withdrawal, re-enter the market (presumably under pressure of loss of income) only to withdraw again when they become discouraged once more.

Perhaps more interesting however, are the simulations designed to estimate the *numbers* of additional and discouraged workers associated with fluctuations in economic activity. This is done by estimating the participation rate equations for the observed and full-capacity values, respectively, of the economic activity variable. The results indicate negligible hidden unemployment in the first subperiod but suggests considerable numbers of discouraged workers in the subperiod commencing in 1971. Results for the later period are depicted graphically in Figure 1. Our econometric estimate of 243,000 discouraged workers in March 1978 is remarkably close to Statistics Canada's survey estimate of 263,000 for that same month. Some perspective on the magnitude of this phe-

[3] The UI variable used is real average weekly benefit per person. Additional explanatory variables, Z, such as the birth rate and the marriage rate, were found to have insignificant effects in the female participation rate equations.

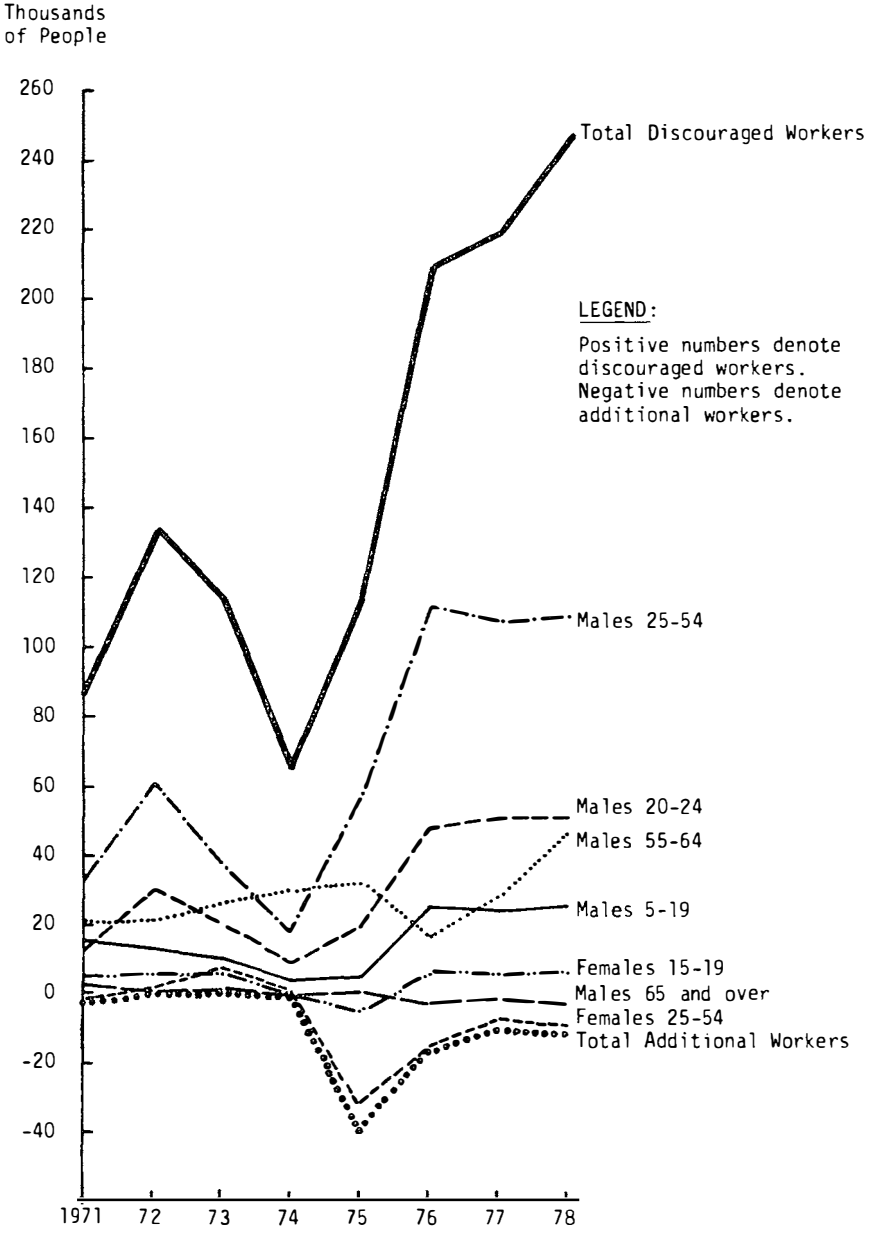
TABLE 1

Summary of the Estimated Labour Force Participation Equations

Age-Sex Group	Sample Period: October 1955 - June 1971 — Economic Activity Variable	Unemployment Insurance Variable	Statistics	Sample Period: July 1971 - December 1975 — Economic Activity Variable	Unemployment Insurance Variable	Statistics
Males 15–19	N/A	N/A	N/A	$\sum_{i=1}^{14}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .33	$\sum_{j=1}^{12}\gamma_j UIC_{t-j}$ Sum of Weights = 5.40	$\bar{R}^2$ = .87 D.W. = 1.59 RHO = .01
Males 20–24	$\sum_{i=1}^{38}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = —.10	N/A	$\bar{R}^2$ = .97 D.W. = 2.09 RHO = .78	$\sum_{i=1}^{23}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .48	N/A	$\bar{R}^2$ = .30 D.W. = 1.45 RHO = .33
Males 25–54	$\sum_{i=1}^{95}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = —.04	N/A	$\bar{R}^2$ = .95 D.W. = 2.12 RHO = .49	$\sum_{i=1}^{15}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .22	N/A	$\bar{R}^2$ = .66 D.W. = 1.43 RHO = .23
Males 55–64	N/A	N/A	N/A	$\sum_{i=1}^{45}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .64	N/A	$\bar{R}^2$ = .78 D.W. = 1.95 RHO = 0.10
Males 65 and over	$\sum_{i=1}^{10}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .10	N/A	$\bar{R}^2$ = .98 D.W. = 2.38 RHO = .72	$\sum_{i=1}^{17}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = —.03	N/A	$\bar{R}^2$ = .65 D.W. = 1.87 RHO = .57
Females 15–19	N/A	N/A	N/A	$\sum_{i=1}^{18}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .11	N/A	$\bar{R}^2$ = .90 D.W. = 1.87 RHO = —.02
Females 20–24	$\sum_{i=1}^{41}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .31	N/A	$\bar{R}^2$ = .98 D.W. = 2.23 RHO = .81	N/A	N/A	N/A
Females 25–54	$\sum_{i=1}^{6}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = .02	N/A	$\bar{R}^2$ = .99 D.W. = 2.22 RHO = .59	$\sum_{i=1}^{19}\hat{\alpha}_i INDCARTE_{t-i}$ Sum of Weights = —.03	N/A	$\bar{R}^2$ = .93 D.W. = 1.78 RHO = .26
Females 55–64	N/A	N/A	N/A	N/A	N/A	N/A
Females 65 and over	N/A	N/A	N/A	N/A	N/A	N/A

Figure 1

DISCOURAGED AND ADDITIONAL WORKERS BY AGE-SEX, ANNUAL AVERAGES FOR 1971-78



Source: Based on data from Statistics Canada and estimates by the authors.

nomenon may be obtained if one bears in mind that its incorporation into the official statistics for 1978 would serve to boost the aggregate unemployment rate from 8.4 per cent to 10.4 per cent.

Labour Hoarding

Another characteristic of the aggregate unemployment rate which has received relatively little attention is that it fails to capture the underutilization of *employed* persons. Hence, one aspect of labour market slack—which, we will attempt to show, is significant in magnitude and in terms of its policy implications—may tend to be overlooked. The phenomenon with which we are concerned is known as "labour hoarding," by which is meant the practice of maintaining labour surplus to requirements.[4] During periods of reduced output employers tend to avoid laying off workers if the process of screening, hiring, and training new employees in the subsequent upswing is regarded as more costly than maintaining workers during the current recession.

Our basic definition of hoarding is that it is the difference between the man-hours of labour actually "employed"[5] in a particular time period, and the man-hours required to produce that period's output if labour had been employed *efficiently*. As a measure of the *required* man-hours for a given output level, one might consider the man-hours-to-output ratio of that year in which labour was used most intensively. But, because of technological change the ratio is typically strongly downtrended, so that its lowest value would be one of the most recent observations. Thus the application of this ratio to preceding years would be unrealistic since it would implicitly attribute the latest technology to the historical period.

Accordingly, our procedure was to take the nonlinear trend of the man-hours-to-output ratio as an approximation of the course of technological change[6] and to shift this to tangency with the strongest point of the series, at which it is assumed that actual and required labour inputs are nearly equal. Once the series of required man-hours per unit of output was obtained in this way, the total required man-hours were simply obtained by multiplying the former series by the historical real output data. Hoarding is then the difference between actual and re-

[4] See, e.g., Jim Taylor, "The Unemployment Gap in Britain's Production Section, 1953–73," in *The Concept and Measurement of Involuntary Unemployment*, ed. G.D.N. Worswick (London: Allen and Unwin, 1976).

[5] Hoarded workers may be "employed" inasmuch as they retain their jobs, but underemployed in the sense of working fewer hours than normal and being paid for time not worked.

[6] Use of the nonlinear trend may also help preserve the cyclical sensitivity of labour productivity. Details of the procedure are to be found in Siedule and Newton, "Tentative Measure of Labour Hoarding," pp. 6–7.

quired man-hours, and hoarding *rates* may be calculated using each period's actual man-hours as the denominator.

The salient features of Table 2 are the sheer magnitude of the hoarding phenomenon—the hoarding rate actually surpasses the unemployment rate in 1974 and 1975—and a distinct upward trend since 1971.

TABLE 2

The Labour Hoarding Rate and the Aggregate Unemployment Rate, Canada, 1961–1977

	Hoarding Rate (%)	Unemployment Rate (%)
1961	4.1	7.1
1962	2.4	5.9
1963	2.0	5.5
1964	3.1	4.7
1965	3.1	3.9
1966	2.7	3.6
1967	6.0	4.1
1968	3.8	4.8
1969	3.4	4.7
1970	4.4	5.9
1971	2.7	6.4
1972	3.2	6.3
1973	3.9	5.6
1974	6.0	5.4
1975	7.6	7.1
1976	6.1	7.1
1977	6.2	8.1

Source: Based on data from *Statistics Canada.*

Concluding Comments

It is apparent that the two phenomena we have examined are of sizable proportions, so that the aggregate unemployment rate, alone, may be a less-than-adequate indicator of the magnitude of labour market slack. Indeed, as a measure of such slack, a logical extension of our work is the estimation of cyclical unemployment as the unutilized man-hours which could be put to work by closing the gap between actual and potential output of the economy. The summation of cyclical unemployment, hidden unemployment, and labour hoarding, would then yield a measure of the "unemployment gap" along the lines suggested by Taylor.[7]

Many observers contend that shifts in labour force composition, along with institutional changes, have rendered the frictional and structural components of unemployment more important in recent years. Our results suggest, paradoxically, that even if this is the case, some important components of unemployment relating to cyclical shortfalls

[7] Taylor, "The Unemployment Gap . . . ."

from potential have also become more severe; the "catch-22" is simply that the latter are not incorporated in the official statistics.

The hoarding figures indicate that the unemployment rate may be rather insensitive to monetary and fiscal stimulus. This is simply because output may be expanded considerably before hoarded labour is fully employed and additional workers are required.

Moreover, the sheer size of the discouraged worker effect in Canada also casts some doubt on the efficacy of macro policy aimed at reduction of the unemployment rate, since the additional stimulus required to counteract participation effects may exacerbate inflationary pressures in some segments of the market. It is also apparent that the *patterns* of response of the various groups vary considerably as to direction and timing. It appears, therefore, that an overall, blanket approach to policy formulation may be self-defeating: the disparable behaviour of different labour market groups (in the present case age-sex groups, but the same surely holds for regions, occupations, and industries) calls for a more finely targetted approach.

DISCUSSION

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I would like to say, first, that all three of these papers represent interesting pieces of work. Olivia Mitchell's paper is a careful, craftman-like job which yields new and original insights into the old problem of added and discouraged workers. The Siedule-Newton and the Andrisani papers are more exploratory: the results are suggestive rather than definitive; their novelty and originality lies in the problems which they open up. In a certain sense, they are easier to criticize, but their strength lies in the critical risks they take. All three papers will be of interest to labor economists, and I would like my comments to be read as reflections sparked by the work presented here and, hence, as supportive of its intellectual thrust rather than as critical in the pejorative sense of the term. My major comments are directed at the Mitchell and the Siedule-Newton papers. As it happens they raise related issues, and it is not possible to do justice to the issues raised by the Andrisani paper as well given the very limited time available.

Both the Mitchell and the Siedule-Newton paper are essentially statistical analyses. And the major question I would like to pose is how much we really know about the basic processes underlying the phenomena their analyses uncover. The labor force decisions which generate these statistics are, for example, embedded in basic social structures which economists know very little about. They are responsive to forces emanating from the demand side of the market, which is structured by institutional and technical factors about which we are even less cognizant. Without knowledge of these underlying structures, it is very difficult to interpret the statistical results; it is certainly premature, and may be extremely dangerous, to draw policy conclusions.

For example, how are we to understand the relationship between high wages and high levels of unemployment which biases the cross-section data that Olivia Mitchell analyzes. She herself links this to Bob Hall's work, which argues that they are causally related: presumably high wages attract an excess supply of labor which waits around for jobs to open, a wait which is "paid for" by the higher wages of the jobs which

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are thereby obtained. But, at another point, she links the same relationship to the underlying industrial composition and institutional structure of the labor market. Is this the same explanation, or a different one? Does the industrial structure mediate wages and unemployment, or is it an independent factor causing both high wages and high unemployment? Whether we worry about unemployment may depend upon the answer to this question. Are workers freely choosing high unemployment in order to look for high-wage jobs, or are they innocent victims of industrial structure? Is the answer the same for men and and women? Are family decisions [about geographic location and employment; about male and female labor force participation] made simultaneously or sequentially? Are added women more or less liberated than discouraged women? Than their unemployed husbands?

The same kind of issue arises in the Siedule and Newton paper. They claim to have found a structural break in labor force responsiveness in 1971 and attribute it to changes in the unemployment insurance system. But how can we know that? Isn't there some danger that we are simply picking an institutional cause which is a major policy variable? This was also a period in which the economy moved to significantly higher levels of unemployment. Perhaps the changes in the insurance system were a response to the higher levels of unemployment, or to the desire to create political and social tolerance for this policy. If they were, what is the true cause of the changed structural relationships?

It should be said, on the other hand, that the papers do make some contribution to structural analysis. I like particularly the Siedule-Newton attempt to construct an index of "labor hoarding." I think the term is misleading, but as an indicator of labor utilization, I think it is a step toward greater emphasis on an analysis of the demand side of the labor market and superior to the much criticized effort to develop job-vacancy measures. Similarly, in a sense, Andrisani's paper may be interpreted as an exploration of the structural relationship between job attributes and worker behavior.

DISCUSSION

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The Secondary Labor Market's Effects on the Work-Related Attitudes of Youths

Professor Andrisani's argument has four parts: (1) outcomes of the job progression process are positively associated with a young person's initial work orientation; (2) attitudes toward work are affected by the job market experience; (3) "secondary" jobs are associated with all of the experiences (unemployment, low and unchanging wages, lack of advancement) shown in (2) to have perverse consequences for work orientation; and (4) a conclusion that the results "suggest that unemployment may be a better alternative for youths than jobs which are secondary in character."

I have reservations about this conclusion and the analysis upon which it is based. Professor Andrisani has painted for us a picture of youths assigned to secondary jobs and then suffering a degradation in attitudes which can be expected to impair their ability to succeed economically in the future. There are two problems with the econometric verification of this picture. The first is that the results are rendered suspicious by a selection problem. Professor Andrisani eliminated all observations from his sample on people who went back to school. This would seem to remove all observations on people with experience midway between the "winners" and the "losers." The winners are those who found good jobs, stayed in the work force, and emerge at the end of the time span studied embued with the Protestant ethic. The losers are those who got bad jobs, continued in bad jobs or no jobs at all, and as a result were less enthusiastic about work at the end of the observation period than they were initially. In between are presumably some people who chose to move from secondary jobs to more education or away-from-the-job training. These persons might have had less-than-satisfactory initial job experience. If this happens, a bad first job may be salutary. I'm not sure how significant this problem is, but I am sure that the sample selection procedure followed by Professor Andrisani precludes our finding out.

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We note that lack of career progression, unemployment, little wage improvement, low job status, and low initial wages all combine to degrade work attitudes. But can we identify jobs ex ante that do all these things? Is it true that within the sample youths who accepted initial employment in low status got the rest of the bundle, too? Or is it not a fact that some—most, judged from the statistics on secondary/primary jobs transition cited by Professor Andrisani—go on to primary jobs? Given this transition rate, what justification is there for suggesting that unemployment may be preferable?

Space limitations precluded inclusion in this paper of useful statistics like the mean and variance of the various left- and right-hand variables for the Andrisani sample. But judging from the size of the coefficients, "weeks of unemployment" counts for much more in degrading attitudes than anything else. Indeed, I would wager that if we constructed a few examples using personal characteristics typical of low-skill youth in the Andrisani sample we would find that even in the absence of wage and occupational status advancement, continuous work would be estimated to produce an improvement in aspirations, only a trivial decline in "self confidence," and no change in "Protestant ethic."

Some Estimates of Hidden Unemployment and Labour Hoarding in Canada

In this paper the authors attempt to estimate, using monthly time-series data, the amount of "disguised" unemployment and hoarded labor in Canada over the period 1955–1978. Disguised unemployment is estimated on the basis of a regression of labor force participation rates disaggregated by age and sex on an index of capacity utilization in Canadian manufacturing and the real average weekly unemployment insurance benefit per recipient. Labor hoarding is calculated by fitting a trend line to labor-output ratios and then shifting this line to tangency with the lowest labor-output ratio observed in the data. All other points were then assumed to represent less-than-potential utilization, and excess (hoarded) labor was identified as the difference between the labor-output ratio observed and the labor-output ratio identified by the adjusted trend line as potential. The results show much discouragement and much hoarding.

This is clearly an important topic. However, I think the usefulness of these results can be questioned on several points. Below I list a few.

The specification of the labor force participation equation can be challenged on a number of grounds. First, why should labor force participation be a function of capacity utilization in manufacturing? The "discouraged worker" literature indicates that people quit looking be-

cause the competition is too stiff or employers aren't offering jobs. This suggests that unemployment rates or new accession rates belong on the right-hand side. I realize that *INDCARTE* is an indicator of the phase of the business cycle and that it is related to unemployment rates. However, secular changes have occurred in labor force participation by groups other than prime-age males and in the importance of manufacturing in total employment, and the *INDCARTE*-unemployment rate connection has undoubtedly changed in ways that cannot be captured by the equation specification the authors have adopted.

Second, I do not understand the logic behind the way in which the unemployment insurance variable is entered in the model. Why should the level of benefits affect labor force participation and, even if they do, should the effect not be dependent on the ratio of benefits to wages instead of the absolute value of benefits? Why the lag? This equation indicates that cyclical and UIB effects operate independently. Isn't it more reasonable to believe that the nature of the UIB system conditions the effect of *INDCARTE* on labor force participation?

Third, the lags in the model are mysterious. I assume these are the usual Almon polynomials. I doubt that the authors really believe that, as one of their equations indicates, the labor force participation rates of men aged 25–54 are conditioned by almost eight *years* of capacity utilization history! Experience has shown that the estimated lag patterns derived from these procedures are not very robust, and quite different patterns calculated by fitting different-order polynomials of different lengths will fit the data just as well. Because of this, we should be careful in attributing too much significance to the pattern of weights for the economic activity variable.

I also have some reservations about the labor hoarding estimates. First, it doesn't seem sensible to me to assume that the lowest observed (after detrending) labor output ratio represents efficient employment. Firms may meet peak demands by pushing output per employee above efficient (in the sense of minimum long-run average cost) levels. Second, we should not be misled by the national income accountants in judging productivity on the basis of the ratio of what they term output to man-hours. My observation is that firms to a considerable extent divert excess labor to investment-like activities during periods in which production of the firm's marketed output declines. Equipment is repaired. Filing systems are revamped. Many of these activities are essential to the long-run productivity of the firm, but are deliberately deferred until slack periods allow their undertaking. We don't count this as "investment," but we should. If we did, the estimated output of firms

would be adjusted upward during such periods, and estimates of labor hoarding would be adjusted downward. This is not to say that genuine hoarding does not show up eventually as slack markets persist. It is to say that the Siedule-Newton procedures probably detect it too soon.

The Cyclical Responsiveness of Married Females' Labor Supply: Added and Discouraged Worker Effects

In this paper Professor Mitchell attempts to resolve one of the many paradoxes arising in comparison of cross-section and time series analyses of labor market phenomena. In this case the problem is that cross-section comparisons across labor markets show an inverse relationship between unemployment rates and labor force participation by women, while time-series data usually imply a positive correlation. Her results suggest that previous cross-section studies may have suffered from misspecification. If one measures the cyclical component of unemployment rates by deviations from long-run averages rather than by absolute levels, reconciliation of the time-series and cross-section results is possible.

I found this to be a very interesting short paper. It is a substantial advance in research on labor market issues based on cross-section comparisons of intrarational labor markets. I would like to comment on the problem of simultaneity, on the stability of unemployment differentials across labor markets over time, and on one of the implications of this research for public policy.

Simultaneity

Although Professor Mitchell chooses not to mention it, I am concerned about the obvious problem of simultaneity in these regressions. Married women constitute a significant proportion of the labor force. In consequence, their labor force participation affects, as well as is affected by, unemployment rates. One "solution" would be to acknowledge the lags identified by Siedule and Newton and to regress March labor force participation rates on the previous year's unemployment.

The Stability of Unemployment Rate Differentials

In her pooled cross-section, time-series estimates, Professor Mitchell allows for structural differences between labor markets by inclusion of separate intercepts for each metropolitan area in her sample. Given this length of time and the paucity of data, this was appropriate. However, there is some evidence that intermetropolitan area differentials in unemployment rates are diminishing. Calculations by Pravin Varaiya and

myself show that, for the 29 SMSAs for which CPS-based unemployment rate estimates are available, the 1974–75 recession was much more uniform in its impact than was that of 1969–70. Structures, in other words, may be changing.

An Implication for Policy

As Siedule and Newton point out, a positive response of women's labor force participation to unemployment rates means that increasing employment during recovery will disproportionately reduce unemployment. But for cycle-oriented public policies—like public service employment—to have this effect, they must be targeted at the differential between current and "permanent" joblessness. Our current policies are not. Professor Mitchell shows the distinction has behavioral consequences; it should have policy consequences as well.

X. CONTRIBUTED PAPERS: PUBLIC SECTOR BARGAINING

Who Wins at Factfinding: Union, Management, or Factfinder?

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In the past several years a body of research evidence and opinion has emerged to suggest that factfinding is perhaps less effective as a public-sector bargaining impasse resolution mechanism[1] than mediation (which retains substantial negotiating flexibility) and arbitration (which provides substantial impasse-resolution finality). Similarly, a more particular criticism says that when factfinding precedes final-offer arbitration (FOA) it reduces the all-or-nothing quality of FOA.[2] In this paper we contribute to the evaluation of factfinding by examining its use and wage impact in Iowa negotiating disputes.

The Iowa Impasse Procedure

Under the Iowa public employee bargaining statute, the parties engaging in collective bargaining have two broad alternatives to follow

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[1] Much of this evidence and opinion is reviewed in Thomas A. Kochan, "Dynamics of Dispute Resolution in the Public Sector," in *Public-Sector Bargaining*, eds. Benjamin Aaron, Joseph R. Grodin, and James L. Stern, IRRA Series (Washington: Bureau of National Affairs, 1979), esp. pp. 182–85.

[2] David B. Lipsky and Thomas A. Barocci, "Final-Offer Arbitration and Public Safety Employees: The Massachusetts Experience," in IRRA *Proceedings* 1977 (Madison, WI: IRRA, 1978), pp. 65-76.

should an impasse result during the bargaining process. The first course or the "statutory" procedure is the impasse scheme prescribed by the law that includes three successive steps: mediation, factfinding, and issue-by-issue arbitration. Under the statutory procedure, factfinding prior to arbitration requires a neutral to formulate a recommendation for each of the issues in dispute. If the factfinder's report fails to assist in resolving any or all of the disputed issues, the parties then submit their final-offers for each unresolved impasse item to arbitration for a binding decision. Unlike most other final-offer arbitration schemes, the factfinder's recommendation remains as a possible third alternative award that the arbitrator may select in the dispute.

In theoretical terms, this inclusion of the factfinder's recommendation as a selection alternative is expected to increase the propensity of the parties to continue making concessions prior to arbitration, thereby reducing the area of disagreement. The parties will not only be evaluating the utility of their own final-offer relative to the other party's expected position but must also consider the possibility of the factfinder's position being accepted as the binding award. In other words, the neutral's recommendation should operate as a potential settlement point and hence as a mechanism that applies a cost to each party in terms of the rejection of its final-offer if the parties fail to resolve their impasse prior to arbitration.

However, under the Iowa law a second broad alternative exists to the statutory impasse procedure outlined above. Through mutual agreement, the parties may establish their own prenegotiated impasse procedure. To date, three-fourths of the bargaining units in Iowa have utilized the statutory procedure. However, among those parties adopting their own "independent" impasse procedures, the most common modification is to eliminate the factfinding step. As a result, disputes not settled through mediation proceed directly to arbitration for an adjudicated settlement. Although some independent impasse procedures have altered the statutory arbitration procedure to conventional arbitration where the arbitrator's decision is not restricted to final-offers, the vast majority have retained final-offer issue-by-issue arbitration with the exclusion of the factfinder's report as a third alternative.

With de facto presence of two broad impasse procedures for resolving public-sector bargaining disputes in the State of Iowa, one that includes mediation followed by factfinding and final-offer arbitration, and a second that is similar but excludes factfinding, it is possible to test empirically the effectiveness of factfinding in the Iowa impasse procedure as a mechanism for inducing the parties to modify their wage demands prior to arbitration. In effect, the Iowa statutory procedure

can be evaluated on two broad dimensions: (1) the extent to which factfinding induces the parties to totally converge in their wage positions prior to arbitration; and (2) the degree to which factfinding reduces the level of disagreement between those parties proceeding to statutory arbitration compared to the level of wage difference between parties proceeding to arbitration but under independent procedures without a factfinding step.

Sample

Our sample consists of all 88 impasse cases that went to factfinding or final-offer arbitration which involved a wage dispute during the first three years of experience under the Iowa bargaining law (1975/76–1977/78).[3] Twenty-six of the 88 cases (Group 1) utilized the statutory procedure that includes mediation, factfinding, and final-offer arbitration (FOA). Nineteen cases (Group 2) proceeded directly from mediation to FOA without using factfinding (i.e., independent procedures). Forty-three cases (Group 3) went from mediation to factfinding, whereupon the parties negotiated their own settlement. As noted elsewhere, these factfinding and arbitration cases represent a rather small (12–15 percent) slice of all Iowa negotiations,[4] so our data are not representative of the entire Iowa public-sector negotiation experience. However, the 22 percent (19 of 88) of the cases in this sample which went to arbitration via an independent procedure (Group 2) mirrors the proportion of all Iowa negotiations under independent procedures.[5]

Data pertaining to the wage positions of both the public employers and unions were obtained from factfinding and arbitration reports made available by the Iowa Public Employment Relations Board. The reports provided data on the following variables: the current wage rate; the employers' and unions' wage positions at factfinding and/or arbitration; and, where applicable, the factfinder's wage recommendation. All wage positions were analyzed as a percentage change from wage levels in the previous collective bargaining agreement. If wage positions were presented in dollar terms, the dollar level was converted to a percentage variable after determining the wage structure in the existing agreement. Wage positions at mediation or in negotiations prior to mediation were not analyzed because of the lack of data. In addition to wage positions,

[3] Eighty-one cases were excluded from our sample because they did not involve a wage dispute or lacked a clear indication of the wage positions at impasse. Three cases that involved wages were excluded because of the use of conventional arbitration.

[4] Daniel G. Gallagher and Richard Pegnetter, "Impasse Resolution Under the Iowa Multistep Procedure," *Industrial and Labor Relations Review* 32 (April 1979), pp. 327–38.

[5] *Ibid.*

we also analyzed the number of issues taken to factfinding or arbitration.[6]

Summary Results and Analysis

Table 1 presents the summary results for all three years. Perhaps the most apparent result is that wage outcomes appear to be independent of the impasse procedure used, as the average percentage wage increases are quite similar across the three groups of cases. This result is not surprising, given factfinder and arbitration reliance upon comparable settlements[7] and the parties' continuing search for procedural advantage. Further, it is not surprising that factfinder recommendations and arbitrator awards are very similar.[8] However, factfinding does seem to make a difference in the number of issues that survive to arbitration. Columns (1) and (3) suggest that about six issues will be presented to a factfinder, and Column (1) suggests that four of these issues will be taken to arbitration if the parties cannot reach complete agreement. In contrast, Column (2) suggests that eight issues will be placed before an arbitrator by the parties who skip factfinding. The absence of data on the number of issues on the table during negotiations and mediation makes causal conclusions tenuous, but it is clear that participation in factfinding is associated with substantially fewer issues at arbitration ($p<.02$).

For the Group 1 participants, the factfinders' recommendations are associated with a moderation of the parties' wage positions. But in absolute terms, this effect is far more pronounced among the unions (-2.78 percent) than employers ($+.60$ percent). This greater absolute moderation by the unions ($p<.06$) may be influenced by the relative closeness of the factfinders' recommendations to the employers' positions. However, both the unions and employers indicated a significant change in their wage positions between factfinding and arbitration ($p<.05$). This differential moderating effect of factfinding is also seen in the Group 2 cases, where the absence of a factfinder's recommendation causes the employers to be more generous in their arbitral wage offers ($p<.01$) but allows the unions to demand more (compared to Group 1, $p<.02$).

As noted elsewhere,[9] a factfinder's recommendation provides FOA

[6] Recognizing the trade-off nature of collective bargaining, we attempted to measure the parties' movement on all the issues taken to factfinding. Our attempt was unsuccessful, for we were unable to develop a workable devise to measure movement on nonwage and especially noneconomic issues.

[7] Kochan, pp. 183--87.

[8] *Ibid.*, pp. 186–87.

[9] Gallagher and Pegnetter; Lipsky and Barocci.

TABLE 1

Iowa Wage Impasse Data 1975/76–1977/78
(Percentage Change)

Position ($\bar{x}$)	(1) Group 1 (N=26) Arbitration After Factfinding	(2) Group 2 (N=19) Arbitration Without Factfinding	(3) Group 3 (N=43) Factfinding Without Arbitration	(4) *t*-Statistic (across columns)	(5) Probability
Union at factfinding (*UNFF*)	9.62	—	7.45	1.61	.12
Employer at factfinding (*ERFF*)	3.18	—	4.04	1.80	.08
Factfinder recommendation (*FFREC*)	5.42	—	5.53	.22	.82
Union at arbitration (*UNARB*)	6.84	8.78	—	2.41	.02
Employer at arbitration (*ERARB*)	3.78	5.33	—	2.94	.01
UNFF-ERFF	6.44	—	3.41	2.26	.03
UNFF-FFREC	4.20	—	1.93	1.94	.06
ERFF-FFREC	−2.24	—	−1.49	1.65	.10
UNARB-ERARB	3.06	3.45	—	.44	.66
ARBAWARD or *CONTRACT*	5.63	5.95	5.69	[a]	[a]
UNARB-ARBAWARD	1.21	2.83	—	1.83	.08
ERARB-ARBAWARD	−1.85	−.62	—	2.55	.01
Differential movement[b]	1.54	2.21	.10	[c]	[c]
Issues per case *FF* (#)	6.35	—	5.46	.51	.61
Issues per case *ARB* (#)	4.08	8.26	—	−2.37	.02

[a] Group 1 v. Group 3: $t = -.14$, $p < .89$; Group 1 v. Group 2: $t = -.54$, $p < .59$; Group 2 v. Group 3: $t = .47$, $p < .63$.

[b] Differential Movement was defined as: the total position change by union minus the total position change by employer to arrive at settlement, i.e., (*UNFF-ARBAWARD* or *CONTRACT*)—(*ARBAWARD* or *CONTRACT-ERFF*) for Groups 1 or 3; and (*UNARB-ARBAWARD*)—(*ARBAWARD-ERARB*) for Group 2.

[c] Group 1 v. Group 3: $t = 1.18$, $p < .24$; Group 1 v. Group 2: $t = -.45$, $p < .66$; Group 2 v. Group 3: $t = 1.98$, $p < .06$.

participants with a very salient convergence point, especially when the arbitrator can select the factfinder's recommendation instead of the union or management position. The Table 1 data demonstrate this phenomenon, for the average wage outcomes in Groups 1 and 3 were close to the average factfinder's recommendations (within about two-tenths of 1 percent). In fact, Group 1 arbitrators selected the factfinder's position 18 times, and the management or the union position four times apiece. Similarly, the Group 3 participants negotiated wage agreements which equalled the factfinder's recommendation 30 times, exceeded the factfinder's recommendation nine times, and were less than the factfinder's recommendation four times. In comparison, Group 2 arbitrators selected employer wage offers 13 times and union wage offers six times. During these three years, then, Iowa wage impasses which involved factfinding relied upon the factfinders more than two-thirds of the time (48 of 69 cases) to determine the wage outcome.

Perhaps the most noticeable difference between the union-management pairs in Groups 1 and 3 was the relatively greater willingness of the latter to modify their factfinding wage positions toward the factfinder's recommendations. Group 3 participants in most cases were willing to move close to or adopt the factfinder's position, while Group 1 participants were much less willing to do so. Part of the explanation for the greater effectiveness of the factfinder's recommendation may be found in the significantly lower level of disagreement between the parties at factfinding across Groups 1 and 3 (6.44 v. 3.41 percent, $p<.03$). But obviously something other than the shape of the impasse procedure affects the participants' negotiating behavior after they receive the factfinder's recommendation.

Year-by-Year Analysis

The Table 1 data and analysis are aggregated for the three-year period under study and represent the central tendencies over three impasse rounds. In contrast, the Table 2 disaggregated data tell a much different year-by-year story. The most obvious differences are the contrasting behaviors of unions, managements, and arbitrators across the three groups. For instance, the unions in Group 1 made more expensive wage demands over time, while the unions in Groups 2 and 3 steadily moderated their formal wage positions over time. Similarly, the employers at factfinding (Groups 1 and 3) steadily reduced their offers over time, while Group 2 employers became slightly more generous at arbitration. Consistent with these contrasts, Group 1 arbitrators became slightly less generous with each succeeding year (though the differences are too small to be statistically significant), while the Group 2

TABLE 2

Wage Impasse Data by Year
(Percentage Change)

Position ($\bar{x}$)	Group 1 (N = 26)			Group 2 (N = 19)			Group 3 (N = 43)		
	YEARS								
	1 (N = 6)	2 (N = 14)	3 (N = 6)	1 (N = 5)	2 (N = 11)	3 (N = 3)	1 (N = 16)	2 (N = 15)	3 (N = 12)
UNFF	9.05	9.57	10.29	—	—	—	8.93	6.98	6.09
ERFF	3.66	3.39	2.19	—	—	—	4.51	4.07	3.37
FFREC	5.80	5.40	5.08	—	—	—	6.32	5.04	5.07
UNARB	7.14	6.84	6.55	10.61	8.26	7.64	—	—	—
ERARB	4.39	3.87	2.95	4.54	5.62	5.57	—	—	—
ARBAWARD or *CONTRACT*	5.94	5.66	5.24	4.54	6.13	7.62	6.63	5.19	5.08

YEARS: 1 = 1975/76; 2 = 1976/77; 3 = 1977/78.

arbitrators became noticeably more generous over time. In fact, in the first year the Group 2 arbitral selections heavily favored the employers, while in the third year the selections heavily favored the unions. While these contrasting arbitral decisions were being made, the negotiated settlements in Group 3 were becoming less generous over time, perhaps because the factfinder recommendations also were becoming less generous. At the end of the third year of impasse procedure experience, it appears that there was an advantage to the unions to go straight from mediation to arbitration and skip factfinding, while it was more advantageous for employers to insist upon factfinding.

The Table 2 data and attendant conclusions must be viewed with considerable caution, for the numbers of cases in some columns are so small that each case can substantially influence the average result for that column. Nevertheless, a comparison of the Table 1 and Table 2 data indicates the hazards of grouping information across impasse rounds, for to do so may hide some interesting year-by-year variations. To take the most obvious example, the Table 1 data show that wage outcomes are highly similar across impasse routes and hence suggest that there is little advantage to playing off one procedure against another. In contrast, the Table 2 data suggest that over time employers have been conceding less ground than the unions when utilizing factfinding as compared to going directly to arbitration. Disaggregated data also indicate that the final solution point, by means of arbitration awards or negotiated agreements, has moved closer to the factfinders' recommendations (i.e., .26, .19, and .06 percent differences for years 1, 2, and 3, respectively).[10] Expressed another way, the search for sweeping generalizations may hide or obscure important impasse behaviors—which can be detected only by disaggregating the data.

Conclusions

Three years of experience under the Iowa impasse procedure suggest the following conclusions:

1. Factfinders "win" most of the time, for more than two-thirds of the settlements negotiated or FOA awards issued after the issuance of a factfinder's report adopted the wage recommendation of the factfinder.

2. Consequently, it seems that a factfinder's report significantly reduces the risk of an adverse selection decision (i.e., the opponent's offer) by the final-offer arbitrator or the risk of an adverse negotiated settlement (i.e., a settlement which clearly favors the opponent's fact-

[10] These percentage differences were calculated on a weighted average basis by combining the data from Groups 1 and 3.

finding position). In other words, factfinding substantially reduces the all-or-nothing pressures which FOA seeks to create.

3. Over time, factfinding seems to have a dampening effect on the magnitude of the eventual wage outcome, whether arbitrated or negotiated, compared to arbitrated wage outcomes in impasses which skipped factfinding. Consequently, it may be to Iowa employers' advantage to insist on factfinding. However, the small number of cases in the arbitration-only comparison groups in Table 2 requires that this be a very tentative conclusion.

4. Factfinding appears to do a reasonably effective job of reducing the area of disagreement between the parties by (a) providing a salient wage-settlement point for 69 percent of the impasses which went to factfinding, and (b) clearing some issues off the table for those cases which proceeded to arbitration. Factfinding also appears to induce some moderation in the unions' wage positions at arbitration, but it does not seem to have a similar impact on employers.

5. Something other than the shape of the procedure influences the adoption of factfinding positions and the willingness of the factfinding participants to settle without going on to arbitration. Some unreported data suggest that reasonably accurate predictions can be made regarding who will settle and who will arbitrate by measuring the gap between the parties' factfinding positions,[11] but we have been unable to determine systematically why this gap varies so much in the first place.

In sum, factfinding in Iowa appears to function as a reasonably effective impasse resolution mechanism when followed by final-offer arbitration because it provides a salient settlement point upon which the parties may converge—knowing that the arbitrator is quite likely to do so. The task remaining, then, is to discover why almost two-fifths of the factfinding cases proceed to arbitration when the participants know in advance they are very likely to be awarded the factfinder's wage offer.

[11] As the gap between the parties' factfinding positions increases, the likelihood the dispute will go to arbitration also increases. This difference is most pronounced at the 4 percent level: 73 percent of the factfinding cases involving a wage gap of 4 percent or less were resolved via negotiations, while only 44 percent of the cases where the gap exceeded 4 percent were settled directly.

Back to Basics: A Call for Accuracy in Research on Collective Bargaining's Effects on Faculty Compensation

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One of the unanticipated outcomes of collective bargaining in higher education has been the creation of a new industry—academic studies of academic unionism. The implications of faculty bargaining for such traditional concerns as academic freedom, collegiality, governance, and similar abstruse subjects have attracted speculation and study. Articles published in these areas represent no more than individual theorizing or rely on data that are no more than a collection of individual opinions. In contrast, those scholars who focus on the compensation question—how unionism relates to wages and fringes—would seem to have the advantage of a wealth of objective data.[1]

All interested academicians are familiar with the American Association of University Professors' (AAUP) "Annual Report on the Economic Status of the Profession." It is convenient, predates collective bargaining, covers unionized and unorganized institutions, and serves as the

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[1] For example, see James P. Begin, "Bargaining and Faculty Reward Systems: Current Research Findings" (revised version of paper presented at the University of Minnesota, February 24, 1978); Robert Birnbaum, "Compensation and Academic Bargaining: New Findings and New Directions," paper presented at the Annual Meeting of the National Center for the Study of Collective Bargaining in Higher Education, New York, April 1977; Birnbaum, "Unionization and Faculty Compensation: Parts I and II," *Educational Record* 55 (Winter 1974) and 57 (Spring 1976); William Brown and Courtenay Stone, "Academic Unions in Higher Education: Impacts on Faculty Salary, Compensation and Promotions," *Economic Inquiry* 15 (July 1977); Brown and Stone, "Collective Bargaining and Faculty Compensation Revisited," *Sociology of Education* 50 (October 1977); Brown and Stone, "Faculty Compensation Under Unionization: Current Research Methods and Findings," Working Paper No. 77501, School of Business Administration and Economics, California State University, Northridge, March 1977; Larry Leslie and Teh-wei Hu, *Financial Implications of Collective Bargaining in Higher Education*, Report No. 29, Center for the Study of Higher Education, Pennsylvania State University, September 1977; Joan Marshall, "Effects of Collective Bargaining on Faculty Salaries in Higher Education," *Journal of Higher Education* 50 (No. 3); David Morgan and Richard Kearney, "Collective Bargaining and Faculty Compensation," *Sociology of Education* 50 (January 1977); Morgan and Kearney, "Collective Bargaining and Faculty Compensation Revisited: A Response and Reaffirmation," *Sociology of Education* 50 (October 1977).

basic statistical resource for most research. AAUP edits, interprets, and publishes data which since 1976 have been gathered exclusively by the National Council on Education Statistics (NCES) through the Higher Education Government Information Survey (HEGIS). Yet, these compensation studies have reached sharply contradictory conclusions which lead to lengthy and learned argument over the relative advantages of matched pairs vs. multiple regression. The fault lies less in the statistical methodology than in the assumption that the statistics are complete, relevant, and accurate enough to enable scholars to reach meaningful conclusions on the relationship between unionism and wages, hours, and working conditions in academe.

The easy and unquestioning acceptance of these familiar figures is partly the product of too little familiarity with the collective bargaining process itself. The data have been rather blindly accepted because they are readily available and satisfy that awful need for numbers which lend respectability to social science research. We suspect, with apologies to an early Greek academician, that the unexamined data are not worth studying. We believe that some scholars suffer from a cultural bias due to their lack of involvement with faculty unionism.

We acknowledge our own bias. We are active members of the Association of Pennsylvania State College and University Faculties (APSCUF, affiliated with AAUP and American Federation of Teachers, AFL-CIO), the union of the Pennsylvania State College and University (PSCU) system where we work. As beneficiaries of faculty unionism, we approach studies that report a negative or null effect of collective bargaining on faculty compensation with skepticism. If the impact be so slight, why does management protest so much? Or, as Brown and Stone wonder, since faculty unions have not been associated with general economic gains and union dues are substantial, what explains the rapid growth of faculty unionism?[2] Further, since it is easier to decertify than to organize (because administrators seldom fight to keep unions), why have faculties which come to unionism with such misgivings not repudiated their unions?

Our interest and suspicions grew out of the contradictions between our own experience and published reports on our system. For example, the 1975 AAUP report showed an increase of over $3000 per faculty member in the PSCU. It caused consternation in Pennsylvania political circles, showing that the PSCU had shot ahead of faculty compensation at the prestigious University of Pittsburgh. But we knew that our across-the-board increase for that year was 4 percent, or about $1000. Investi-

[2] Brown and Stone, "Student-Faculty Ratios and Unions," *Educational Record* 60 (Spring 1979), p. 169.

gation revealed that almost two-thirds of the reported *raise*, about $2000, was actually the result of a *reduction* in the employer's cost for pensions.

This is one of several conundrums that led us to suspect first the statistics and then the statisticians. The explanation of the contradiction between what AAUP reported and what we observed is simple and revealing. In order to improve benefit packages generally and pension mobility particularly, AAUP counts only those employer contributions that vest benefits in the faculty members within five years. The state contributions to the retirement system never "counted" because in Pennnsylvania pensions vest only after ten years.

But the faculty union negotiated an optional retirement system with immediate vesting. Although *few* faculty chose the option, once immediate vesting became available, the institution was credited under AAUP rules as if *all* were covered. Our university saves thousands of dollars each year on faculty who opt out of the state system because that system is now charging double to catch up on prior years of underfunding. In the very year the union's negotiated cost saving was implemented, the university appeared to be paying a large increase for faculty retirement benefits.

These apparent discrepancies led us first to suspect that the fault lay with AAUP. However, after extensive dialogue with AAUP's Director of Research, Maryse Eymonerie, we became convinced that the numbers themselves are not the villains. She shared with us, as she told us she had with previous researchers, her perceptions of the pitfalls inherent in unsophisticated application of published figures. Our own findings on data deficiencies are organized under four headings: Missing Data, Misleading Data, Misinterpreted Data, and Mistakes in Data.

Missing Data

Some data are missing; some are just missed. HEGIS tapes contain information not summarized on AAUP charts. The tapes include all employer payments for pensions including those, primarily in the public sector, which do not vest within five years. HEGIS tapes also include all employer costs for housing subsidies and tuition benefits. AAUP does not include these benefits unless a cash option is available. Jerome Staller's study of community colleges uses these raw data. We do not know whether counting these benefits influenced his finding that "unionization has raised fringe benefits nearly 80% over those prevailing in non-union colleges."[3] But Staller was the first scholar in the field to

[3] Jerome Staller, "Collective Bargaining: Its Effect on Faculty at Two-Year Public Colleges," paper presented at the Annual Meeting of the National Center for the Study of Collective Bargaining in Higher Education, New York, April 1975, p. 81.

insist that salaries *and* fringes *and* hours—or their analogue, workload (WL)—because they could either be improved in tandem or traded against each other, must be examined separately and severally in any study of total compensation. Despite his warning and despite the fact that the literature makes it clear that WL is a major issue at the bargaining table,[4] only one other compensation study that we know of deals with it.[5]

WL (or hours) is omitted because it is difficult to define and the data are hard to find. Yet this problem in studying collective bargaining in higher education is but a special case of a general problem in the public sector. For example, the Pennsylvania Governor's Commission on Public Employee Relations reported that from 1965 to 1975 salaries of police increased by ten percentage points more than firefighter salaries.[6] Since both function under the same binding interest arbitration law, we were perplexed—until we realized that firefighters had emphasized and won shorter hours, a change not reflected in the salary data. WL data are not only missing, most of them are suspect. Available reports on hours worked in academe are based on faculty self-evaluation to impress state legislators. But self-praise is no recommendation.

Staller as well as Brown and Stone use student/faculty ratio to measure WL. Staller reports: "The existence of a collective bargaining agreement was associated with reductions in teaching loads."[7] Brown and Stone assert: "The onset of academic unionization has not been accompanied by general decreases in the number of students per full-time faculty member."[8] Their contradictory conclusions may be the result of different periods covered, of different methods used, or of a weakness in the very concept of full-time-equivalent (FTE) student as a measure of anything since each institution is permitted to develop its own definition of FTE.

The dramatic increase in the use of part-time faculty in the 1970s, the decade of faculty unionism, demands that students of workload and compensation address the depressing effects of this phenomenon. One AAUP study reports: "Between 1972–73 and 1976–77 academic years alone, the National Center for Education Statistics (NCES) estimates

[4] John Creswell, Gerald Kramer, and Thomas Newton, *Faculty Workload Provisions in Contract Agreements Negotiated at Four Year Colleges,* Research Summary No. 6, Academic Collective Bargaining Information Service, December 1978; Kenneth Mortimer and Gregory Lozier, "Faculty Workload and Collective Bargaining," in *New Directions for Institutional Research,* ed. J. I. Doi (San Francisco: Jossey-Bass, 1974).

[5] Brown and Stone, "Student-Faculty Ratios and Unions."

[6] Lawrence Feldman, *Public and Private Sector Compensation: 1965–1975* (Harrisburg: Governor's Office of the Commonwealth of Pennsylvania, October 1978).

[7] Staller, p. 85.

[8] Brown and Stone, "Student-Faculty Ratios and Unions," p. 173.

that the number of part-timers increased by almost 50% while the number of full-timers increased by less than 9%." [9] Scholars concerned with the financial and educational implications of faculty organization must consider the extent to which unionism encourages or discourages the substitution of part-timers for full-time faculty. Our own contract is designed to discourage the use of part-time faculty. Faculty unions are sounding the alarm on this issue. The degree of their effectiveness must become a part of compensation studies.

WL—more labor vs. more leisure—is and ever has been the fundamental issue between employer and employee. A reduction in the standard work week is the leading collective bargaining news out of Europe this year. AFL-CIO lobbies for a 35-hour week. UAW negotiates more days off. Cynics might suggest that faculty find no need to bargain for more leisure. But this year's negotiations found it an upfront issue at Governors State University in Illinois, part of a strike dispute at Union College in New Jersey, and the subject of 15 pages in the Massachusetts Community College contract. Meanwhile, management is pressing for greater productivity. The Carnegie Commission recommended an increase in student/faculty ratio, Michigan legislated minimum teaching loads, and New York lawmakers passed a moratorium on sabbaticals. One Pennsylvania college tried to squeeze 60 minutes into the teaching hour and was grieved and overruled.

Contracts typically define WL specifically as credit hours, contact hours, class size, or number of preparations—or prohibit increases above past practice. That hours or WL are central to any study of wage rates and their changes is illustrated by the "Application for General Wage and Benefit Adjustment" issued by the Nixon Pay Board. It required campuses, like coal companies, to fill in the line: "Total man hours paid for."

Payments for overload, in cash or compensatory time, are called for in contracts. A review of 279 agreements in the files of the Center for the Study of Collective Bargaining in Higher Education at Baruch College shows that all but 48 contain some workload provision. Furthermore, 160 of these agreements contain overload clauses that provide compensation in time or money or both. Last year on our campus, with an instructional payroll of almost $15 million, overload payments approached one-half million dollars. A recent University of Southern California study shows 70 percent of the faculty at 11 research universities receiving supplemental pay equal to 21.5 percent of their regular

[9] Howard Tuckman, William Vogler, and Jaime Caldwell, "Part-timers and the Academic Labor Market of the Eighties," in *Part-Time Faculty Series* (Washington: American Association of University Professors, 1979), p. 88.

salary.[10] It is thus possible, when studies reach conclusions based on differences of a few percentage points, that these conclusions might well be upset by the inclusion of these uncounted data.

The complexity of defining and measuring WL, the difficulty of measuring salaries outside the base year, and the danger of relying on AAUP tables as the only information source are all illustrated in a single example. Pennsylvania State University (PSU—not to be confused, as it was by one researcher, with PSCU) has transferred hundreds of faculty from 48-week to 36-week contracts since 1974. They maintained their full salary and were expected to maintain "the same workload (particularly teaching) and quality standards." Does this represent a 25 percent increase in salary? It is reported as such to AAUP. Is this a reduction in WL? If one views WL as time work, yes; as piece work, no. The faculty member who volunteers to accept this offer must agree to forgo across-the-board raises for two years. Why do they accept? In many cases because they can now earn extra income during the newly freed 12 weeks—income sometimes paid from the same grants they work under during the 36-week payroll period.

Other significant omissions from available salary data important to studies of collective bargaining include: retroactive salary payments, improved summer contracts, compensation for co-curricular duties, stipends for chairpersons, released time for consulting, and grant income that supplements salaries. One contract (CUNY) provides over $3.5 million annually for research and fellowship awards. Our own union negotiated a half-million-dollar trust that funds educational expenses, research, travel, etc.

It is clear that data currently missing on changes in WL and on extra salaries must be collected and considered in any effort to evaluate accurately the impact of faculty unionism.

Misleading Data

Academicians' faith in the salutary effects of grading on a curve to encourage improved performance leads AAUP to continue to report legislated benefits such as social security (SS). It hopes to encourage all states to make SS coverage mandatory. Because salaries subject to SS taxes have a ceiling, this item is reflected in the "Reports" as a greater "fringe benefit as a per cent of salary" [11] at campuses with lower

[10] Kristine Dillon, Robert Linnell, and Herbert Marsh, *Faculty Compensation: Total University Earnings at Research Universities* (Los Angeles: Office of Instructional Studies, University of Southern California, 1979), p. 13.

[11] AAUP, "Annual Report on the Economic Status of the Profession," 1969 through 1979.

salaries. Thus, institutions that pay less get higher "marks" in the fringe column.

Unemployment compensation (UC) replicates the SS problem and adds a peculiar collective-bargaining-related distortion of its own. Institutions are often on a pay-as-you-go basis with UC—the more layoffs, the more payout, the more chargebacks. Many unions have succeeded in blocking mass retrenchments and reducing individual dismissals. This faculty benefit, when reflected in lower US costs, appears as a lower fringe and thus less total compensation rating on the charts.

We have previously mentioned the pension-vesting problem in calculating fringes. There is another problem, peculiar to the public sector. Christ Zervanos, Pennsylvania's Director of Labor Relations, stresses the difficulty of obtaining accurate comparative data on pension benefits because "current retirement costs may not reflect benefit levels." [12] If the Pennsylvania public sector is any indicator, unions not only create pressure for higher benefits, they demand full-funding to guarantee those promised benefits. Thus, unionization may, over time, lead costs to reflect more accurately the value of this major fringe benefit.

Eymonerie lists other benefits that are omitted from the various surveys, some of which have a significant collective-bargaining-related impact. Her examples include: "office space, secretarial assistance, library privileges, laboratory and computer facilities, travel and membership fees to professional organizations, parking, meals and sabbatical leave." [13] Our records add: professional liability insurance; paid leave for illness, parenting, and education; reduced-interest loans; and wholesale costs for purchases of insurance, autos, appliances. One contract even guarantees the right to collect a cord of wood on campus.

Whether the omitted fringes affect the union vs. nonunion compensation question is hard to prove. Certainly unions emphasize fringes for several reasons:

Tax	Benefits are bought with employer pretax rather than worker posttax dollars.
Economy	We can get it for you wholesale.
Equity	Unions are essentially democratic institutions. With some faculty, the equality vs. merit issue in salary is politically volatile. But delivering health insurance according to need is acceptable.
Efficiency	Benefits that provide the worker more than they cost the employer (e.g., free tuition) are ideal for settling bargaining table impasses.

[12] Correspondence between Christ Zervanos and the writers, October 10, 1979.

[13] Correspondence between Maryse Eymonerie and the writers, November 8, 1979.

Political	With negotiations conducted triennially and dues deducted monthly, unions face the "What have you done for me lately?" question—which is more easily answered with fringes (particularly those administered by union trustees) than with salaries.

An accurate evaluation of fringe benefits as an obviously important part of compensation must, in any case, deal openly with these problems of misleading data.

Misinterpreted Data

Definitions and instructions used in surveys are ignored by respondents and researchers alike. "Instructional faculty" is the group purportedly being counted, and faculty researchers mistakenly assume we all know what that means. But collective bargaining and its concomitant, unit determination, have changed the perception, if not the definition, of the term. Studies that compare the prebargaining 1960s with the postbargaining 1970s are often comparing oranges and lemons.

For example, our union represents two bargaining units—teaching faculty and administrative faculty. But the teaching unit includes, among others, librarians, coaches, counselors, critic teachers, athletic directors, equal-opportunity-in-sports coordinators, and department chairpersons. All or part of their salaries ought to be excluded from the reports. Some campuses, particularly where the person responding has been filling out HEGIS questionnaires since the prebargaining days, do exclude them. Others, understandably, find the numbers to fill in on the form by punching a button on the computer which is programmed by bargaining unit—including all these persons and their *total* instructional and administrative salaries. We came across this problem when we observed campuses reporting salaries higher than the maximum contained in the contractual salary schedule because they were including these administrative payments. While textual exegisis is not our preferred procedure for understanding the dynamics of collective bargaining, a look at the contract while looking at the report might alert researchers to problems they now miss.

Furthermore, the term "average" leads to frequent misinterpretation. Eymonerie points out: "An overall average (i.e., a figure for all ranks combined) is likely to be affected by a number of peripheral influences. The turnover, a shift in the structure, the use of a high proportion of part-time graduate assistants whose compensations are not included in the average, the number of promotions in a given year, etc., are factors which would affect the 'overall'." [14] Before 1970, data were published

[14] *Ibid.*

as "average faculty salary." In 1971 a more detailed breakdown, average by rank, became available, but average faculty salary was no longer published. Those making longitudinal comparisons adjusted the data by computing the later averages from the four listed ranks. The problem with this salary reconstruction procedure became clear when we looked at the effect on compensation of the massive hiring at junior ranks at CUNY with the advent of open admissions. The sum of the faculty by rank was far fewer than total full-time faculty. The whole is greater than the sum of the parts because lecturers are excluded from the ranks but included in the totals. This problem was present in the data for many campuses used in union vs. nonunion comparison studies.

While turnover has a significant impact at institutions like CUNY which operate with a salary schedule, for those without a schedule, turnover can completely obscure the effect of raises. One Pennsylvania university has for several years been granting larger raises than our own, but their average salary never catches up. They use a revolving-door personnel policy to keep lower-paid faculty moving in and those who had the benefit of the raise for a few years moving on. The structure of the salary system is as important as the "salary increase for continuing faculty" [15] in understanding bargaining effects.

Mistakes in Data

Most of the data error we identify is in the Pennsylvania reports, presumably because we are more familiar with the facts and alert to the problems. But we have no reason to believe the situation is different elsewhere. Indeed, James Begin of Rutgers finds problems with HEGIS data in his studies of collective bargaining in New Jersey community colleges, particularly because of failure to capture retroactive pay increases.[16] While these occur frequently in collective negotiations, they are seldom granted to the unorganized.

Scanning the charts and checking the contract in the PSCU reveal that for 1973–74 Cheyney State College reports a 21 percent increase for associate professors and Edinboro State College shows a 23 percent increase for instructors. With a 5 percent across-the-board increase in September 1973 and an additional 5 percent in January 1974, no arithmetic combination of additional increases such as merit, promotion, or increment could have led to the average increases reported. They were far in excess of amounts published for other ranks at these colleges and for any ranks at other PSCU colleges. We believe reporting error is

[15] AAUP, "Annual Report."

[16] Correspondence between James Begin and the writers, August 7, 1979.

inherent in the data collection system and is not unique to the PSCU. As evidence to support our belief, we offer:

1. AAUP states: "In an effort to validate the accuracy of the data provided, direct inquiries and contacts with the respondents (or institutions) are made for 3 out of 4 reports. AAUP, however, does not examine collective bargaining agreements, nor can it verify inconsistencies within units of a large system." [17] The margin of residual error that enters the published reports is speculative.
2. Roger Hummel, Director of Education Statistics for the Commonwealth of Pennsylvania, attempts to do similar checking of reports from the Pennsylvania colleges and universities. He states: "The data reported to our office on the fringe benefit as part of the HEGIS survey is at best inconsistent. . . . I have elected to publish only state total data." [18] While averaging may cloak extreme error, it does not eliminate it.
3. Bernard Ingster, former chief negotiator for higher education in Pennsylvania and consultant to academic management, states that any poll of high academic officers "would reveal low credibility for the HEGIS salary information."[19]

If policy-makers are skeptical, researchers, whose raison d'ètre is to assist policy-making, have an obligation to stop debating methodology and start developing methods to define meaningfully and collect accurately higher education compensation data.

Some Tentative Suggestions

What is to be done about research on faculty unionism and its impact on compensation in light of the difficulties described? One scholar suggests that unless "the reporting errors are systematically biased," there is no problem.[20] Another opines that "the magnitude of the errors, assuming they're not random, could possibly swamp any differentials that might exist." [21] A third raises a question about "the politics of the data, who controls the data reporting—why it is reported the way it is. It would be the ultimate irony if the mechanism created by AAUP as a device for reducing administrative discretion through publicity actually serves as a means by which data could be manipulated to serve specific interest." [22]

[17] Eymonerie correspondence.
[18] Correspondence between Roger Hummel and the writers, October 6, 1979.
[19] Correspondence between Bernard Ingster and the writers, May 1, 1979.
[20] Correspondence between Kenneth Mortimer and the writers, March 6, 1979.
[21] Correspondence between William Brown and the writers, March 1, 1979.
[22] Correspondence between Robert Birnbaum and the writers, February 7, 1979.

We do not accept as our burden the proof that errors are systematically biased. We believe there is sufficient reason for all to ask: "What is truth?"

The "politics of the data" caveat suggests an interesting hypothesis. That academic managers' reports might vary depending on whether they are bragging or complaining is hinted in the text accompanying an AAUP Report: "In the case of some public institutions the standard used for the AAUP Report may differ from those approved in official state reports. . . . *extreme caution should be used in making comparisons.*" [23] [Emphasis in original]

Thus, we enthusiastically embrace Thomas Kochan's warning to "avoid the temptation to reduce everything to quantifiable terms." We support the institutional approach and propose a " 'thick' description through case study" [24] which will tie every dollar of faculty compensation in our system to a collective bargaining event. We will attempt in our own research to demonstrate causality, not just association. But, numbers exist, and if we don't soon manage them, they will continue to mismanage us. Therefore, these specific suggestions for improving the numbers:

1. Unionism, Sumner Slichter taught us, improves management. Use the unions to check and challenge by soliciting their comments on all surveys. For campuses without unions, reports can be circulated for faculty comment and criticism. This bit of sunshine may trouble those concerned with confidentiality, but the data improvement is worth the price.

2. Collective bargaining agreements and/or statements of institutional policy regarding salary and benefits should be filed with the reports and cross-checked by the researchers.

3. WL, or hours, is the biggest gap. Student/faculty ratios are an incomplete measure. Questions concerning policy and practice on teaching time vs. research, on class size and course load, etc., need to be developed.

4. Mandatory benefits should be reported on a yes or no basis only. The answer to a question about the cost of workers compensation for associate professors is meaningless and its presence in the data is misleading.

5. Questions on fringes should be expanded. A miscellaneous list,

[23] AAUP, "Annual Report," 1970–71, p. 247.

[24] Thomas Kochan, "Theory, Policy Evaluation, and Methodology in Collective Bargaining Research," in *Proceedings of the 29th Annual Winter Meeting, Industrial Relations Research Association* (Madison, WI: IRRA, 1977), p. 243.

where there is an identifiable cash cost outlay, might include paid leaves, liability insurance, and released time. Costs could be measured in terms of dollars expended during the particular year. Although non-cash benefits cannot be compared monetarily, it would be useful to collect information on such policies as tuition remission.

6. The median may be a better measure of central tendency than the mean where salary is the subject of study. If collective bargaining has an "equalizing" effect, continued use of the mean by researchers may favor unorganized campuses which have a greater skew to the right.

7. Income from the institution outside the academic year contract, by type (e.g., overload, summer contracts, and research grants) should be collected but not mixed with regular salary data.

8. Reports to state agencies should be coordinated and correlated with information given to the Bureau of the Census, HEGIS, and, from time to time, to wage-control agencies.

9. Part-timers need to be a separate but equally important part of compensation surveys.

Back to basics means more than cleaning up the economic data. The HEGIS data are better than those available in most industries. The best of the data will only be understood if examined in the context of institutional research, which itself takes into account the insights of the behavioral sciences. Campus unionism presents a unique opportunity for collective bargaining researchers to examine theory in practice.

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Municipal Unions and Wage Patterns

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In this paper we argue that "key" bargains may be struck between a municipal employer and one or more bargaining units. These bargains set patterns that spill over into the employer's negotiations with other municipal employee groups. With a few exceptions, previous econometric work ignores the possibility of interoccupational pattern-setting or spillovers.[1] Where spillovers in fact occur, previous estimates understate the union effects of the pattern-setting groups and overstate the union effects of the pattern-following groups. In the discussion that follows, we assess how important is pattern-setting; we also begin identifying pattern-setters and pattern-followers.

Empirical Approach

To explore the existence of "key" bargains, we estimate wage equations for a cross section of 187–209 municipalities in 1975. First, we estimate these equations assuming no key bargain; then we reestimate, introducing hypothesized key bargains into the specification.

The equations come from a budget constrained vote maximizing model which yields a system composed of pairs of wage and employment equations for each municipal service.[2] In this model wages and employment are simultaneously determined. Consequently, the parameters of the resulting equations are estimated using a two-stage least squares procedure. Because of space limitation, we limit our discussion to the estimates of the union effects on wages.[3]

In log-linear form, our estimating equation is:

$$(1)\quad \ln W_k = \ln \beta_{11} + \beta_{12} \ln M_k + \beta_{13} \ln Y + \beta_{14} \ln G + \beta_{15} \ln W_A + \beta_{16} \ln Z_k + \ln \beta_{17} U_k + \epsilon_{2k}$$

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[1] Ashenfelter (1971), Ehrenberg (1973b, 1973c), Freund (1974), and Schmenner (1973). An exception is Ehrenberg and Goldstein (1975) who found interoccupational wage spillovers in five of seven municipal employee groups they studied.

[2] This model is fully developed in R. B. Victor, *A Multiconstituency Vote Maximizing Model for the Determination of Wage and Employment Levels*, Rand Corporation, P-5923, August 1977.

[3] Estimates of the parameters of the employment equation are available from the author.

where W_k = annual wage of the employee group in the kth municipal service; M_k = per capita employment in the kth municipal service; Y = per capita income in the municipality; Z_k = per capita current budget allocation for all municipal services except the kth service; U_k = union strength of the employees in the kth service; W_A = alternative private-sector wage; and G = per capita intergovernmental grants to the municipality.

Prior work used several measures of union strength. To test both the internal and external consistency of our results, we use three alternative measures of union power. The traditional measure (U_1) is the percentage of the municipal labor force in function k which is organized (Census, 1975a)—a functionally aggregated measure of unionism.[4] It is the measure of unionism used in the Ehrenberg studies. Two other measures are used: A qualitative variable (U_2) assumes a value of unity (zero) for the presence (absence) of a recognized union, and a second such variable (U_3) assumes a value of unity (zero) for the presence (absence) of a collective bargaining agreement (Census, 1975a). Both are occupation specific measures.

Each measure has a distinct meaning in the labor relations context. The successful culmination of a union organizing campaign is, of course, the signing of a collective bargaining agreement. The third measure of unionism (U_3) distinguishes between municipalities in which unions have reached this level of success and municipalities in which (1) unions are still attempting to obtain a contract, (2) unions are prohibited by state law from obtaining an enforceable contract, and (3) there are no unions.

Prior to engaging in collective bargaining, the union must be formally recognized by the employer as the representative of a group of the municipality's employees. The second union measure (U_2) distinguishes between municipalities in which unions have been so recognized and those in which (1) unions are still attempting to gain formal recognition, (2) unions are prohibited from being recognized by the employer for the purposes of collective bargaining, and (3) there are no unions. This recognition measure of unionism is more inclusive than the contract measure in the nonnull category.

The first measure of unionism—the percent of employees organized—indicates the presence and membership status of the union. This is probably the best time-series measure of union strength. In a national cross section, however, the local legal, historical, and political relationships which are so important in determining the strength of the union

[4] That is, the police unionism variable includes all employees engaged in the provision of police services—uniformed officers, clericals, maintenance, etc.

will vary substantially across municipalities in which police unions, for example, can claim identical membership percentages. Thus, unions which may have very different abilities to affect wages and employment will appear as identical. Still it serves as a useful approximation for union strength and is widely used in empirical studies such as the work presented herein. We believe the recognition and contract measures to be superior to this measure.

Results

In presenting the empirical results, we first consider the police and fire equations without spillovers. Then we examine the role of unions other than "own unionism" in the determination of police and fire wages. Finally we compare results for sanitation wage equations.[5]

Own Union Wage Effect

We find a significant positive own union effect on wages for both police and firefighters. These effects range from 8–12 percent for police and 9–13 percent for firefighters. The three alternative measures of union power perform with remarkable internal consistency. Stricter measures of union power (U_2, U_3) have larger wage effects. Ehrenberg (1973b) finds approximately a 7 percent effect for both groups in his estimates based upon a similar sample using U_1.

TABLE 1

Union Wage Effects by Unionism Variable
(no pattern-setting)

	Police	Fire
U_1	7.8%	9.3%
U_2	11.1	10.6
U_3	12.3	12.5

Note: All are significant at the .05 level.

Pattern-Setting and "Key Bargain"

We now introduce the possibility of a key bargain and its pattern-setting effects. One or more "other" municipal employee unions may influence the wage outcomes of any municipal employee group.

Consequently, we regress police and fire wages on both police and fire unionism as well as the other explanatory variables in the basic equation. If there is a key bargain or pattern involving police and firefighters (or wage spillover), the "other" union coefficient will appear as positive and significant. If these groups behave as political rivals for

[5] Only union coefficients are reported in the text. The full set of coefficients and associated estimated standard errors are available from the author.

scarce municipal funds, we would expect a negative "other" union coefficient.

In the police wage equations (Table 2), police unionism (own unionism) remains positive and significant for two of three unionism measures with estimated union wage effects of 6–11 percent; fire unionism (other unionism) is not significantly different from zero for all three unionism measures. The firefighters obviously do not establish a pattern for the police.

TABLE 2

Union Effects on Police Wages
(with pattern-setting)

	Police	Fire
U_1	6.2%	2.3%
U_2	11.2**	−0.3
U_3	9.9**	4.0

** Significant at .05 level.

Interestingly, in the fire wage equations (Table 3), police unionism (other unionism) is significant and positive (11–13 percent) for all unionism measures while fire unionism (own unionism) is significant for only one unionism measure and substantially smaller (5 percent) than either the corresponding police union coefficient (11 percent) or the corresponding own unionism effect (13 percent) in the basic estimating equation with no pattern-setting.

TABLE 3

Union Effects on Fire Wages
(with pattern-setting)

	Police	Fire
U_1	11.4%**	2.6%
U_2	13.4**	−0.2
U_3	10.7**	5.4*

* Significant at .10 level. ** Significant at .05 level.

These findings suggest that the police wage-setting decision establishes a pattern for firefighter wages—that as between police and firefighters, the police outcome is the key bargain. Further, the effect of fire unionism on own wages which other writers—notably Ehrenberg (1973c) and Ashenfelter (1971)—find to be significant (and which also appear in Table 1) is shown in Table 3 to be principally attributable to the police key bargain. When the police union variable is omitted from the fire wage equation as in our Table 1 and studies of others, the fire union variable picks up the pattern-setting effect because of the

high correlation between police and fire union variables. These results suggest that *the fire wage equations which include only own unionism are most likely misspecified.*[6]

In related work, we estimated identical wage equations for municipal refuse collection employees to test the presence of police-union-generated wage spillovers.[7] The results indicate a pattern strikingly similar to that uncovered for firefighter wages. Police unions set the wage pattern for refuse collection employees as well as for firefighters. As with firefighters, the significance and magnitude of the refuse collection unionism effect on own wages drops when the effect of police unionism is introduced.

TABLE 4

Union Effects on Refuse Collection Wages

Refuse Unionism	Police Unionism	Fire Unionism
14.2%**	—	—
7.2	14.6%**	—
11.8**	—	6.5%
7.5	13.7**	.6

** Significant at 5 percent level.

Summary and Conclusions

We have estimated wage equations for uniformed police and firefighters and refuse collection employees using two-stage least squares in recognition of the simultaneous determination of wage and employment levels. Three alternative measures of union power are tested: (1) the percentage of all functional service employees who are unionized, (2) the presence (absence) of a recognized union representing the occupational group, and (3) the presence (absence) of a collective bargaining agreement covering the occupational group.

Our empirical results give some interesting insights into the role of unions in the determination of wages for these municipal employee groups. We estimate own union effects on police wages of 8–12 percent. We also find that other investigations of the own union effect of firefighter and refuse collector wages have misspecified their estimating equations so as to overestimate the own union wage effects. Our results indicate that both firefighter and refuse collector wages respond

[6] Because of data limitations, we do not include additional municipal employee union variables in the estimating equations. Thus, we do not know if additional key bargains which influence police and fire wage outcomes occur. Moreover, we do not know the extent, if any, to which the police and fire union coefficients are biased because of the omission of these potential explanatory other union variables.

[7] This work is based upon a sample of 132 municipalities for 1975. The equations are identical to those used for police and firefighter wages. Due to data limitations, the only measure of unionism used is the percentage of employees organized (U_1).

significantly to the police "key bargain" while only secondarily, if at all, to own unionism. The police union spillover effect is significant for firefighter wages (11–13 percent) and refuse collector wages (14 percent), while the own union effects are substantially less significant for firefighters (at most 5 percent) and refuse collectors (at most 7 percent).

Our estimates provide useful and informative guidance on the structure of municipal employee unions wage effects. Those municipalities which have traditionally set wages in accordance with police-fire wage parity might want to question the wisdom of such parity as unionization of police and firefighters becomes increasingly common. Otherwise, firefighters may receive higher wages than they would be able to obtain acting solely through their own unions. This result is also relevant to interest arbitrators of fire disputes who have comparability with police urged upon them by firefighter unions.

Since it appears that police unions strike a key or pattern-setting wage bargain, the results of which spill over into the wage outcomes of other municipal employee groups, the pivotal role of police unionism should be recognized in the formulation of any statutory framework to regulate municipal employee unionism. Moreover, interest arbitrators in evaluating the ability-to-pay criterion for police awards, should not myopically consider only the direct costs of the award. Arbitrators should also include the indirect costs of the anticipated interoccupational wage spillovers.

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Public Sector Bargaining in the South: A Case Study of Atlanta and Memphis

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This paper presents a descriptive case study of the development of labor relations policy in Atlanta, Georgia, and Memphis, Tennessee, during the last decade.[1] Although the two cities have a history of informal and formal involvements with labor organizations, both are located in states without laws governing the right of public employees to unionize and engage in collective bargaining. Nevertheless, an analysis of the labor relations policies that have developed in these municipalities indicate that different approaches to public-sector unionization have emerged. Why have the responses of the two cities differed? Scholars have presented various explanations regarding government responses to unionization efforts,[2] but none adequately explains the phenomena observed in these cities. In each, the mayor has been the major participant in labor relations decision-making. Thus, this paper concentrates on agenda-setting policy regarding labor matters that the various mayors employed, as part of the explanation as to why different paths have been chosen. Specific issues to be addressed are form of government, legal climate, recognition and dues checkoff, and negotiations.

Agenda-setting is simply the process used to determine what is to be done. In the case of mayors, John P. Kotter and Paul R. Lawrence state that the agenda-setting behavior may vary along a continuum. At one end the process may be "reactive, short-run oriented, individual, or part-oriented, continuous and sometimes 'irrationally' unconnected."[3]

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[1] The findings in this study are based on in-depth interviews, examination of municipal records, union files, and other pertinent material in Memphis and Atlanta. A special thanks to the Georgia Tech Foundation for helping to finance the project.

[2] For example, David T. Stanley, *Managing Local Government Under Union Pressure* (Washington: Brookings Institution, 1972); Paul F. Gerhart, "The Scope of Bargaining in Local Government Labor Negotiations," in *Collective Bargaining in Government*, eds. J. Joseph Loewenberg and Michael H. Moskow (Englewood Cliffs, NJ: Prentice-Hall, 1972), pp. 126–34; John H. Burton, Jr., "Local Government Bargaining and Management Structure," *Industrial Relations* (May 1972), pp. 123–39; and Richard P. Schick and Jean J. Couturier, *The Public Interest in Government Labor Relations* (Cambridge, MA: Ballinger, 1977), pp. 69–104.

[3] John P. Kotter and Paul R. Lawrence, *Mayors in Action* (New York: Wiley, 1974), p. 49.

This description is akin to the "muddling through" model of decision-making described by Charles Lindblom and David Braybrooke.[4] At the other end of the continuum, the agenda-setting process is "pro-active, middle to long-range oriented, city-wide or holistic oriented, periodic and logically interconnected."[5] Lawrence and Kotter have determined that a mayor who uses the muddler model follows a No. 1 agenda-setting process by concentrating on short-term goals and reacting to crises. By contrast, a No. 2 agenda-setting process tends to focus less on daily and more on monthly and yearly activities. The No. 3 agenda-setting process goes further in the direction of proactive, long-run, holistic, logically interconnected planning but does not eliminate short-run agenda. The No. 4 agenda-setting process, at the end of the continuum, was described above.[6] The Kotter-Lawrence models will be utilized, along with traditional labor relations literature, to describe and analyze the approach to labor relations policies taken by Memphis and Atlanta and the unions from 1968 to 1979.

Form of Government

The Memphis charter revision implemented in 1968 abolished a weak mayor-council structure and instituted a strong mayor-council form with the mayor and 13 councilpersons chosen every four years in nonpartisan elections. Atlanta, prior to the 1974 charter revision, enjoyed a weak mayor-alderman structure. Since 1974 the city has had a strong mayor-council system, with a mayor and 18 councilpersons elected every four years in nonpartisan elections. Research indicates that these structures provide little bases for understanding the approaches to labor relations developed by these municipalities.[7]

Legal Climate

Although neither Tennessee nor Georgia has a general public employee bargaining law, they have enacted several laws that affect specific groups of employees.[8] The Tennessee Supreme Court has held that strikes against the public are illegal;[9] yet it has never indicated

[4] David Braybrooke and Chares E. Lindblom, *A Strategy of Decision* (New York: Free Press, 1963, 1970), p. 107.

[5] Kotter and Lawrence, p. 58.

[6] *Ibid.*

[7] Stanley, pp. 7–9, 136–42.

[8] Tennessee has the Education Professional Negotiation Act L 1978, Ch. 570, affecting teachers and the Dues-Checkoff L 1977, Ch. 143, which allows dues checkoff for state employees. Georgia has the Fire Fighters Mediation Act, *Georgia Laws* (1971) 1: 565-571, which allows cities with 20,000 or more population the option of bargaining with firefighters.

[9] 203 Tenn. 12, 308 S.W.2d 476, and 43 Tenn.App. 54, 309 S.W.2d 792.

that it was illegal for public employees to form unions or for public bodies to recognize and negotiate with these groups. On the other hand, the Georgia Supreme Court concluded in a series of cases that neither the state nor its agents could be forced to engage in collective bargaining.[10] Moreover, the Georgia Attorney General has expressed the opinion that "unless the General Assembly authorizes them to do so, public employers in Georgia cannot enter into valid collective bargaining contracts with labor unions."[11] However, he does indicate that the right of a citizen to organize and join a union is protected by the First Amendment to the Constitution and that it is within the "discretionary power" of a state agency to meet and confer with union officials on wages, hours, and working conditions of public employees.[12]

Within the above guidelines, the Memphis and Atlanta city governments have established their labor relations policies. In March 1969, the Memphis city council passed a resolution that recognized the right of all city employees to join and participate in activities of employee organizations and confirmed that negotiated Memoranda of Understanding were to include a "meaningful grievance procedure and a no-strike clause."[13] Atlanta in 1969 adopted a resolution that included a grievance procedure and allowed informal meet-and-confer sessions to take place between the city personnel director and the unions to discuss wages, hours, and other conditions of employment.[14] Attached to the resolution was a Memorandum of Understanding between the city and the American Federation of State, County, and Municipal Employees (AFSCME) Local 1644.

Throughout the 1970s Atlanta has maintained an informal meet-and-confer policy and has not entered into Memoranda of Understanding with any groups. The Memphis city council has moved further toward developing a policy by passing a charter amendment prohibiting strikes by municipal employees and permitting a procedure in which a committee of city councilpersons may resolve impasses between the unions and the mayor.[15] Further, it presently is a party to 13 Memoranda of Understanding with different unions.

[10] 217 *Georgia Report* 712–719 (1962); 222 *Georgia Report* 625–629 (1969); 231 *Georgia Report* 806–808 (1974).

[11] Arthur K. Bolton, *Labor Organization in Georgia* (Atlanta: 1975), pp. 13–14 (mimeo).

[12] *Ibid.*

[13] Memphis (TN) Minutes of the Meeting of the Council, March 1969, p. 473.

[14] Atlanta City Council Resolution, 15 May 1969. Resolutions reaffirming this policy were passed by the aldermen and approved by the mayor in 1971 and 1972.

[15] 1978 Charter Amendments and 1979 Impasse Procedure.

Dues Checkoff and Recognition

Responses to union requests for recognition and dues checkoff have been markedly different in the two municipalities. The two issues have dominated Atlanta's labor policy. In Memphis they have not existed as issues since the 1968 sanitation strike and the adoption of a labor policy by the council in 1969.

AFSCME Local 1733 in Memphis participated in an unsuccessful strike in 1965 in an attempt to gain recognition. As a result of the change to a "strong mayor" system, Mayor Henry Loeb was in a position in 1968 to "establish a policy of recognition" unilaterally,[16] but he was unwilling to do so. Thus recognition and dues checkoff became major issues in the 1968 strike. During the lengthy negotiations that ensued, recognition and dues checkoff were granted as part of the strike settlement.[17]

After 1968, recognition and dues checkoff were granted without fanfare to unions representing a majority of the eligible employees in the bargaining unit. Presently all 13 Memoranda of Understanding indicate that the union with which the agreement is made is either the "designated bargaining representative" or "the sole and exclusive bargaining agent" for employees in particular units.[18]

In contrast, Atlanta's position on recognition and dues checkoff began on a mild note and entered stormy waters during the 1970s. AFSCME requested and received dues checkoff in an ordinance passed without fanfare by the board of aldermen on March 18, 1959. When AFSCME began to push for formal recognition in 1966,[19] the city informed the union that it "will continue to recognize the union and its affiliated local unions as representatives of city employees, exclusive of firemen and policemen."[20] Although AFSCME local officials viewed this statement as formal recognition, city officials felt that the previous informal relationship remained.[21] After the 1968 sanitation strike, the aldermen passed a resolution that recognized AFSCME as an organiza-

[16] Ray Marshall and Arvil Van Adams, "Racial Negotiations—The Memphis Case," in *Collective Bargaining in Government*, *supra* note 2, p. 148.

[17] Mayor Wyeth Chandler in an interview on 22 August 1979 stated that the death of Dr. Martin Luther King, Jr., was the catalyst that produced these concessions.

[18] These quotes are from the 1972–78 Memoranda of Understanding in Memphis.

[19] Joseph Jacobs to Ivan Allen, Jr., 15 June 1966, AFSCME Local 1644 files, Atlanta.

[20] Carl T. Sutherland to Joseph Jacobs, 19 August 1966, AFSCME Local 1644 files, Atlanta.

[21] Interview with Ivan Allen, Jr., former mayor, Atlanta, 25 January 1977.

tion representing city employees and, with the support of the mayor, a Memorandum of Understanding was negotiated.

The storm began when unions pushed for dues checkoff and recognition. In 1970 AFSCME engaged in a strike, and Mayor Sam Massell was successful in getting the aldermen to revoke the dues-checkoff privilege as punishment. He has indicated that after the strike labor relations was removed from his agenda; thus, from 1970 to 1974 he chose to have no labor relations policy except for occasional discussions with union officials.[22] Nevertheless, activities within the legislative branch evidenced a level of support for dues checkoff. Between 1970 and 1972, Vice-Mayor Maynard Jackson spearheaded efforts to restore AFSCME's checkoff and to extend the privilege to any labor union.[23] However, his efforts were fruitless.

When Jackson was elected mayor in 1974, the labor community assumed that labor relations matters would rank high on his agenda. On January 20, 1975, the Jackson administration passed an ordinance that authorized dues checkoff, but avoided the question of "exclusive recognition." The ordinance allowed organizations to qualify for checkoff if they submitted valid dues-deduction authorization cards from more than half of the eligible employees in a unit. The ordinance's enumeration of eligible employees included the Bureau of Fire Services (BFS) but excluded the Bureau of Police Services (BPS). The ordinance also stated that Atlanta would not adopt the Fire Fighters Mediation Act, to the surprise of political observers since as vice-mayor, Jackson had ardently supported the legislation.[24] Nevertheless, for the first time the International Association of Firefighters (IAFF) acquired recognition and dues checkoff.

Since 1976 a constant controversy has raged throughout the city government and in the courts over the issues of dues checkoff and recognition of an organization to represent BPS employees. In 1976 the council passed an ordinance that would have allowed an organization to represent this group; the mayor vetoed it, stating that he was opposed to the unionization of public safety employees.[25] In 1977 the Teamsters sued the city, demanding that the police be treated the same as firemen in labor relations matters. On March 23, 1979, a North Georgia federal court ruled, "So long as [the city of Atlanta] is willing to withhold dues from the firemen, it must, under the equal protection clause, make the

[22] Interview with Sam Massell, former mayor, Atlanta, 3 February 1977.

[23] Atlanta (GA) City Government, Minutes of the Meeting of the Board of Aldermen of 3 May 1971, February 1972, and 17 April 1972.

[24] Atlanta (GA) Section 2-144 Code of Ordinance.

[25] Mayor Jackson vetoed legislation 8 July 1976 and 15 November 1979.

option open to police employees."[26] The mayor, without council support, appealed the court's decision.

The executive branch withdrew dues checkoff from IAFF Local 134 in June, claiming that the local did not represent 50 percent plus one of the "eligible employees." Ironically, city hall sources claim that this had been true for some time. In November, the council again passed an ordinance that would have allowed an organization to represent the police and qualify for dues checkoff; the mayor again vetoed the legislation, claiming to have a "long-standing position against the unionization of public safety employees."[27] By that time the mayor had acquired enough council support to make city policy conform to the federal court ruling. Thus, on November 19, 1979, the council passed and the mayor signed legislation removing IAFF from access to recognition and dues checkoff.[28]

The Jackson administration has not granted "exclusive recognition" to any group, nor has it deemed it proper to formalize its relationship with unions that claim to represent employees.[29] Samuel Hider, director of the Bureau of Labor Relations, suggested in a memo that he "would fully recommend that [the city] move toward exclusive recognition based on [the city's] terms and deal with a number of organizations."[30] However, the mayor has not moved in this direction.

Negotiations in Memphis

Negotiations in Memphis developed as a result of a series of events partly due to the assassination of Dr. Martin Luther King, Jr. During the 1968 sanitation workers strike, Mayor Henry Loeb represented the city in labor negotiations. His agenda-setting policy was crisis oriented, and he was opposed to granting recognition or dues checkoff to the union. At this juncture the city council established what was to be a consistent position of having no involvement in negotiations, allowing it to be solely an executive function. The council's only involvement was to pass a resolution requesting Frank Miles to serve as mediator between the union and the mayor. Mayor Loeb was considered to be antiunion and would never have negotiated a memorandum of understanding had not multilateral negotiations ensued. Third parties in this

[26] *Truck Drivers and Helpers Local Union No. 728 v. City of Atlanta et al.* D.C., No. Dist. of Ga., Atlanta Div. No. C77-998A (3/23/79).

[27] Maynard Jackson to Atlanta City Council, 15 November 1979.

[28] Atlanta City Ordinance, 19 November 1979.

[29] As of November 1979, AFSCME Local 1644 is the sole union with dues checkoff and recognition.

[30] Samuel Hider to Jules Sugarman, 7 May 1976.

matter were community representatives and federal mediators.[31]

Representing the city were Councilman Tom Todd and two assistant city attorneys, people unfamiliar with labor negotiations and procedures. Since recognition was not a long-range agenda item for the mayor, this could be perceived as a consistent response to the crisis at hand. The city team opposed the union demands for recognition and dues checkoff and in the end when the memorandum of understanding was negotiated and submitted for council approval, the lone dissenting vote was cast by Councilman Todd, the mayor's representative.[32]

The 1969 negotiations were handled in a more organized manner. The chief administrative officer led the city's negotiating team, and the favorable disposition toward bargaining displayed by the executive branch and the union is reflected in the council's minutes. Full and complete communications were maintained between the negotiating team and the council. The three-year memorandum was accepted by a 9-2 vote in the council with Todd still expressing opposition to public unionization.[33]

Memphis Mayor Wyeth Chandler has acknowledged that the unions are in his city to stay, and since 1969 the city has not opposed collective bargaining for any employees.[34] The mayor's representative in collective bargaining from 1972–78 was the Director of Personnel.[35] By 1979 labor relations in Memphis has matured and, as indicated by John Burton,[36] there is a tendency under mature formal bargaining to assign responsibility for all personnel issues to a full-time labor relations specialist. The mayor states, "We had thought that matters could be handled by personnel officers. We learned that it would be well to have a specialist."[37] A specialist was appointed in 1979 and given a full staff.

Although the 1969 council resolution establishing a labor policy for the city merely provided recognition of employee organizations and a

[31] Marshall and Adams, pp. 148–62; Schick and Couturier, pp. 69–104.

[32] Ray Marshall and Arvil Van Adams, "Racial Negotiations—the Memphis Case," in *Racial Conflict and Negotiations: Perspectives and First Case Studies*, eds. W. Ellison Chalmers and Gerald W. Cormick (Ann Arbor: Institute of Labor and Industrial Relations, University of Michigan–Wayne State University, 1970), p. 95.

[33] Memphis Council Minutes 24 June 1969 indicate that the council engaged in a 19-hour marathon session during the negotiations, pp. 27–32.

[34] In 1972 the Memphis Professional Firefighters were recognized. In 1973 the Memphis Police Association was recognized. In 1972 written agreements were negotiated with various craft unions, particularly the International Association of Machinists.

[35] From 1972 to 1975 Henry Evans was director; from 1975 to 1978 Joseph Sabatini was director. Both had prior labor relations experience in the private sector.

[36] Burton, p. 131.

[37] Mayor Wyeth Chandler interview.

structure for discussions, the city bargaining procedure has evolved into one that many union and city officials view as comparable to the private sector. In their opinion, state law would simply "legalize" the city's current procedure and practices. The city has a meet-and-confer policy and Memoranda of Understanding with 13 unions. City officials are quick to point out that these are not legal documents. However, all parties involved indicate that the documents have been administered by the city as if they were legal.

Nevertheless, there are several points of disagreement between union officials and the city—primarily binding arbitration and the 1979 impasse resolution passed by the council. Binding arbitration was negotiated in the AFSCME memorandum, but applies only to suspension and discharge cases. Advisory arbitration exists in all other memoranda, usually with the chief administrative officer serving as the mayor's representative to make the final decision. The mayor and council oppose binding arbitration of economic issues. According to the mayor, "The council's primary function is to set the budgetary priorities . . . [we] don't want any arbitrator coming from anywhere setting priorities."[38] The impasse procedure passed by the council, in response to the 1978 fire and police strikes, allows the council to enter the negotiating arena when the mayor and the union have reached an impasse on economic issues. The council becomes the arbitrator; yet the union views the council as part and parcel of management and not in a position to be neutral. The union position is best summed up by Kuhron Huddleston, president of IAFF Local 1784: "If I am having a dispute with my wife, this ordinance will give me the option of bringing in my father-in-law. My wife can bring in her mother. Together the two of them can select my brother-in-law. The three of them will listen to me and her and issue an opinion as to who is right in the dispute."[39]

The Memphis negotiating team parameters are set by the mayor. The various teams are made up of persons from the labor relations staff and officials associated with the units. Intense briefings and training sessions take place prior to negotiations.[40] At the table, there is give-and-take in terms of proposals from both sides. Most of all, the city team is characterized by unity on the issues, or "a family understand-

[38] *Ibid.* Pat Schalff, president of the Memphis city council, also expressed this view.

[39] Interview, 14 August 1979. This statement also appears in Joseph Alder and Joseph Sabatini, "In Future City Council to Arbitrate Memphis Bargaining Impasses," *Labor-Management Relations Service Newsletter* (August 1979), pp. 3–4.

[40] In 1979, 15 members of the Memphis management team attended a five-day skills-building program on negotiation and collective bargaining conducted by the American Arbitration Association Department of Education.

ing."[41] At various points, particularly in 1978, union officials have engaged in end-run lobbying with the council in an attempt to obtain concessions that were not made at the table. In general, however, labor relations in Memphis have not been characterized by the "political approach";[42] this can probably be attributed to the existence of clear lines of authority in terms of who is responsible for negotiations.

Some feel that the mayor's commitment to collective bargaining is unquestioned. His attitude is positive and best exemplified by his position toward AFSCME which actively campaigned against his election in 1972. After the election, he met with AFSCME officials and reportedly stated: "I won. . . . I am going to be mayor for four years. I would like to work with your union to solve problems. We will disagree . . . but I would like to be able to sit and talk about disagreements."[43]

Although Memphis has not addressed the question of "an appropriate unit, procedure for certification or decertification, the rights of members, the role of supervisors and what constitutes an unfair labor practice," the mayor intends to request that the council take up these issues in separate ordinances.[44] An analysis of the Memphis labor policy spearheaded by Mayor Chandler indicates that it can be properly termed a Kotter-Lawrence agenda policy No. 3 in that it has been a proactive, long-run, holistically, logically interconnected process.

Negotiations in Atlanta

Mayors in Atlanta have engaged in an unstructured meet-and-confer policy with labor organizations since 1968. During periods when there were no visible crises, discussions with unions took place whenever the city or the unions requested them. The city has stated that it is willing to "discuss any issue" with employees or their representatives at any time.[45] Best available evidence indicates that the discussions, when they take place, are usually one-sided in that the unions present pro-

[41] George H. Hildebrand, "The Public Sector," in *Frontier of Collective Bargaining*, eds. John T. Dunlop and Neil W. Chamberlain (New York: Harper & Row, 1967), pp. 126–32.

[42] Gerhart, p. 131.

[43] Interview with Henry Evans, Chief Administrative Officer, Memphis, 14 August 1979. Interview with Leamon Hood, Southeast Regional Director, AFSCME, Atlanta, 12 November 1979.

[44] Adler and Sabatini, p. 3.

[45] Gerhart indicates that the previously mentioned unstructured policy always exists when bargaining is not well developed, p. 128. This view of Atlanta labor discussion is expressed by city and union officials.

posals and the city reacts. Afterwards the city makes a unilateral decision which at times includes some of the union suggestions.[46]

Because the city has no guidelines for negotiations, the union leadership has expressed the view that they face a "bewildering" array of bureaucratic authority. Just who is responsible for what? Between 1968 and 1974 several different aldermanic committees were responsible for setting policy affecting unionized employees. Because of this fragmentation, the unions resorted to salesmanship, end-run lobbying tactics, and the "political approach" in an attempt to influence the committees to act in their favor.[47] There is evidence that in each administration since 1968, whatever the finance committee recommends ultimately is approved by the legislative body. Thus, the unions learned the necessity of packing budget hearings with their members and appealing directly to the finance committee in order to bring about change. These tactics resulted in some minor successes.[48]

Discussions with various labor organizations during each administration has resulted in grievance procedures, minor changes in working conditions, and sporadic improvements in wages. However, all changes have been piecemeal, and each mayor has retained an enormous amount of flexibility that allowed short-run, reactive planning whenever union pressure was heaviest, thus conforming to agenda-setting policy No. 1.

The Jackson administration established a Bureau of Labor Relations and appointed a labor expert as director. However, prior to the appointment, various persons with no labor experience were allowed to engage in negotiations. The 1974 charter changes gave the responsibility for labor relations to the executive branch, but research indicates that the council has attempted to engage in labor negotiations at will. An example of this conflict in responsibility was the March 1976 labor crisis when the mayor and the council appeared to be separately engaged in negotiations with the union. The council succumbed to the unions' "political approach" and agreed to a $500 raise for all employees. This raise was contingent upon the mayor's identifying and terminating 300 funded full-time positions. One councilman said, "The Council has put the monkey on the Mayor's back." The mayor negotiated a $208 raise for some employees and other benefits for union representatives. Lack of a regularized labor policy made unilateral bargaining possible, and the union appeared to have gained a $708 increase.[49] In the end, union

[46] Hood interviews.

[47] Gerhart, p. 131.

[48] Each year between January and March 31, when the budget is being approved, the unions appeal directly to the finance committee.

[49] Atlanta (GA) City Government, Minutes of Meeting of City Council 15 March 1976 (taped).

employees received a $208 raise and a collection of promises.

Research indicates that the mayors have engaged in agenda-setting policy No. 1 regarding negotiations. Moreover, the city council and the mayor have not reached a "family understanding" with regard to who is responsible for negotiations, nor have they deemed it necessary to adopt a formal labor policy that would help rid the city of its present ad hoc bargaining practices.

Conclusion

An analysis of labor relations policies of the two municipalities indicate that different approaches to public-sector unionization have developed between 1968 and 1979. Although both municipalities are located in states without laws governing the right of public employees to unionize and engage in collective bargaining, each has passed resolutions and ordinances establishing labor relations policies. These developments have been to a large degree influenced by the agenda-setting policy employed by various mayors. In Atlanta, the mayors' agenda-setting policies have conformed to the Kotter-Lawrence No. 1 model in that the approach has been piecemeal, crisis-oriented, and unorganized. This muddling has allowed the continuation of an unstructured meet-and-confer system that at points appears to be ad hoc. Memphis mayors have shifted from a No. 1 agenda to a No. 3 agenda-setting policy regarding labor relations matters. The 1968 crisis-oriented muddler model has evolved into a long-range interconnected plan, reflected in the present 13 Memoranda of Understanding and Mayor Chandler's responses to crises with proposals, i.e., an impasse procedure that allows the formal policy to continue to develop and mature. These municipalities represent two responses to unionization efforts when explicit state legislation does not exist.

DISCUSSION

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Since the papers have very little in common, either methodologically or substantively, and there is very limited space for my comments, I shall make one or two points about each of them.

Pattern Setting in Municipal Bargaining

The percent of the bargaining unit who are union members which Richard Victor employs as a measure of union strength is not reliable. This is especially true for the IAFF. Traditionally, nearly all fire fighters have been members of their IAFF local because of the social and fraternal nature of these organizations. The organization includes nearly all ranks within fire departments up to and including the chief in some locations. Not all members of the IAFF will support collective bargaining or strike activity, however. On the other hand, police organizations are a relatively recent phenomenon, having grown with the principle goal of becoming strong collective bargaining agents. Hence, membership is probably a more accurate measure of union strength for police organizations.

The second and third measures of union strength used by Victor—formal recognition and formal bargaining agreement—are flawed in much the same way. For historical reasons including simply the length of the fire fighter union's existence, fire fighter unions may have achieved formal recognition and bargaining agreements.

On the whole, all the field work with which I am familiar tends to suggest that actual union strength (as distinguished from proxies U_1, U_2, and U_3) is highly correlated across unions within cities. If we assume that "union strength" is a generalized concept applying to all of the unions within a jurisdiction, and if we assume that U_1, U_2, and U_3 are a more reliable measure of strength for police unions than they are for fire fighter unions, we would have an explanation for the statistical results in Victor's paper without any support for police union pattern-setting. What is clearly needed is further investigation of the reliability of various measures of union strength.

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Multilateral Relationships and Bargaining Power

Yancy provides some very strong corroborating evidence for the police pattern-setting phenomenon described by Victor. There is no question that the fire fighters in Atlanta have followed the police pattern, much to their dismay.

The comparison of Memphis and Atlanta, however, is quite instructive in other ways. It is clear that unions in Memphis have developed considerably greater power vis-à-vis the city administration than unions in Atlanta. The question remains, why has this power disparity come to be? It is tempting to point to the unique and unfortunate experience of the assassination of Martin Luther King in Memphis to explain that city's development in labor relations, but a number of other factors, particularly multilateral relationships, differ between the two cities and help to explain differences in development.

W. Ellison Chalmers and others have pointed to the great importance of race relations in explaining the Memphis sanitation dispute. Mayor Loeb had received the tacit support of the KKK during the 1967 mayoral campaign in Memphis. As the sanitation strike against the city began, in 1968, the support of the black community for the strike was unanimous. Furthermore, more progressive elements in the white community also supported the sanitation workers' demands for recognition. At the time of the election campaign in 1967, Memphis was characterized in the national news media as a "Mississippi backwater town." The sanitation strike and the assassination of Martin Luther King seemed to many to confirm that characterization. The city administration was in a defensive position and had to react in a "progressive" manner in order to try to regain some of the tarnished image of the city. Formalization of collective bargaining relations with city employees is clearly a progressive development in the minds of most people.

Events and personalities in Atlanta contrast sharply with Memphis. Mayor Ivan Allen was characterized as a progressive mayor with good relations in the black community. When the 1968 sanitation strike occurred, the sanitation workers did enjoy some support from the black community, but nothing like the kind of support received in Memphis. Part of the reason for this failure for support to materialize was that the sanitation dispute in Atlanta was almost purely economic. The union had already obtained recognition and there was no real effort on the part of the city to undermine the existence of the union. Mayor Allen had good rapport with many black community leaders and was able to reach an accommodation with the union before the strike led to a racial confrontation. It is also noteworthy that the municipal service employees in

Atlanta did not enjoy any significant support in the more progressive elements of the white community of Atlanta.

In short, the city administrations in Atlanta have never faced a unified labor movement supported by the more progressive elements in the community, either black or white. No set of events nor power structure has ever led to the necessity to formalize collective bargaining relationships.

In conclusion, Yancy notes that both the form of government and the state collective bargaining policies with respect to labor management relations in municipal government are almost identical in Memphis and Atlanta. The comparison of the two cities goes a long way, I believe, toward supporting the proposition that formal policies are almost irrelevant in the face of general community attitudes or consensus with respect to the appropriateness of collective bargaining by municipal employees.

Improving Higher Education Data

The key issue raised by the Morand and McPherson paper is whether or not we have a fair picture of the effect of faculty unions on the campus. Since available data are suspect, they question the results of any study which relies on that data.

M and M are particularly critical of the failure of most of the studies to take into account faculty workloads in the consideration of union effect. They note that workload is typically an important issue in faculty negotiations. But even where workload is considered by researchers, the measure (e.g. student-faculty ratios) may not be useful. One may question, however, whether it is necessary to "take everything into account" when evaluating the union effect. Researchers using the Baruch Center data on higher education bargaining have found a high intercorrelation among items in faculty labor agreements. Under such circumstances, wages may be a "key indicator" of contract quality so that we may safely forget the other items in the contract without seriously biasing the results concerning faculty impact.

My response to M and M's concerns for shortcomings in the data is somewhat similar to that of others. I question how significant the shortcomings are, to what extent they are randomly distributed, and to what extent they might be systematically biased, so that they would lead to bias in results. With respect to the size or significance of the error, consider the example of social security payments. M and M note that campuses with lower salaries tend to get more credit in AAUP evaluations because "benefits as a percent of salary are higher." Even if we assume

a $10,000 difference in average salary between two campuses, the maximum difference in the percent of salary going into fringe benefits is 1.8 percentage points. Most researchers would not view this as a significant difference.

With respect to systematic bias, consider pension funding. If unions systematically force management to fund the pension plan at some expense to current wage improvements, there is a downward bias introduced into the union effect on faculty working conditions. Unfortunately, it is not immediately clear to what extent unions generally force employers to fund pension plans. There are, obviously, a number of examples where unions have not concerned themselves with funding and, on the contrary, have encouraged public employers to undertake major improvements in benefit programs without thought of funding.

M and M have raised a number of important issues concerning the quality of data used to evaluate faculty union effects on the campus. I think they support the need for a thorough investigation of the significance of the error in the data used to evaluate faculty union effectiveness.

In Praise of Factfinding

Among the conclusions reached by Gallagher, Feuille, and Chaubey are that "factfinding substantially reduces the all-or-nothing pressures which final-offer arbitration seeks to create." This may be true, but the implication of that statement—that statutory procedures in Iowa which require factfinding are less effective than the "independent procedures" which omit factfinding—does not follow. Restructuring some of the data from the GFC paper, I have calculated that there were approximately 585 total rounds of negotiations during the three-year period covered by the study. Of these, approximately 129 were subject to the "independent procedure" without factfinding, while approximately 456 were subject to the "statutory procedure" with factfinding. Considering these two classes of cases, a total of about 15 percent in each category were taken beyond the mediation process into the impasse procedure. The conclusion one could reach on the basis of these data (with no further information) would be that the "all-or-nothing" pressures of the final-offer arbitration system have no effect. In fact, it seems advantageous to utilize factfinding since only 6 percent of the cases handled under the "statutory procedure" actually reached arbitration. (Nine percent were settled in factfinding or as a result of the factfinder's report.) On the other hand, all 15 percent of the cases not settled in mediation under the "independent procedure" obviously went into arbitration. If one of the goals of public

policy is to avoid mandatory arbitrated settlements, it seems that factfinding helped to achieve this goal.

The question which is unanswered in all this massaging of the data is, when do the parties negotiate independent procedures which omit factfinding? If the parties actually anticipate "tough negotiations" and realize that factfinding would be fruitless, then perhaps there is some bias introduced into the analysis. If this is a correct assumption, one would reasonably expect to see a much higher proportion of cases subject to independent procedures actually utilizing those procedures. Since they do not seem to be significantly different from the percentage of cases going to impasse which utilize the statutory procedure, perhaps the "all-or-nothing" pressure is effective. Without some independent measure of the "difficulty of negotiations," it is difficult to draw any conclusions concerning whether or not the "all-or-nothing" effect of final-offer arbitration is useful.

XI. WESTERN TRADE UNIONS IN AN ERA OF STAGFLATION: ECONOMIC DEFENSE AND POLITICAL OFFENSIVES

Rationalization and Unemployment in Germany: Their Impact on a Fragile Truce*

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Since 1975, when the effects of the disruption of the international economy became conspicuous in West Germany, the trade unions federated in the *Deutscher Gewerkschaftsbund* (DGB) have been hard pressed to learn the unpleasant lessons of their new situation as rapidly as they have been presented. Unemployment rates of 4 to 5 percent, high by West German standards, have made them doubt the self-healing capacities of the economy. Crisis in the steel industry and the introduction of new technologies with unpredictable effects on employment and the distribution of skills have done nothing to restore their confidence on that score. The failure of the governing coalition of Social and Free Democrats (SPD and FDP) to put through a significant reform of the co-determination laws has cast suspicions about the strength if not the loyalty of the unions' political allies. The employers' growing readiness to answer strikes by lockouts—extremely costly to unions which pay high strike benefits—raises questions about labor's own capacity to achieve its ends by traditional means.[1]

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* Many of the ideas in this paper arose in conversation with Dr. Gerhard Leminsky, editor of the *Gewerkschaftliche Monatshefte*. He is, of course, neither officially nor unofficially responsible for conclusions I have drawn from our talk. Professor Andrei Markovits commented helpfully on the first draft of the text, but, as the formula goes, the author bears sole responsibility for the final version.

[1] For accounts of these developments, see the relevant articles in the last three

And to this drum-fire of bad news directed against the unions has recently been added an artillery barrage from within the right wing of the opposition Christian Democratic Union (CDU) and its sister party, the Bavarian Christian Socialist Union (CSU). Under the leadership of Franz Joseph Strauss, head of the CSU and joint chancellor candidate of the two union parties, a coalition of conservatives from big and small business is trying to split the DGB along political and confessional lines, or at least to limit its capacity to intervene in politics in support of the SPD. Thus, if the economic situation worsens and the SPD and FDP lose the next election, the West German unions could find themselves isolated from their friends, without strategic reserves of their own and dependent on the mercy of an ever more merciless opponent. But even in the likely event that Chancellor Schmidt's government remains in power, the unions would face an economy in need of reform but demonstrably unreformable by existing methods.

To date these developments have produced more anger, confusion, even dejection within the unions than clear-sighted and open debate about new plans of attack. Indeed, one of the few things less predictable than the immediate future of the West German economy—vulnerable as it is to disturbances in its crucial foreign markets—is the union's response to whatever that future happens to be. The DGB has only vague and rather shop-worn ideas to propose as solutions to the present dilemmas: for example, to create new jobs by reducing the working week, or to promote economic growth by increasing the purchasing power of domestic consumers through redistribution of income from capital to labor. And if its notions of a solution to the crisis are little more than slogans, its ideas about how to obtain the power necessary to refine these slogans in practice are more insubstantial still.[2]

But for all that it would be a mistake to think that the DGB unions are stumbling aimlessly and disarmed toward disaster. To understand the trade unions' response to the economic crisis, it is not enough to listen to what they think they ought to be doing. Rather it is necessary to look at the more complex relation between what they are thinking and what they are doing without thinking about it. For the experiences of the last years are calling forth a series of practical responses at the

volumes in the annual series, *Kritische Gewerkschaftsjahbücher*, eds., O. Jacobi, W. Müller-Jentsch, and E. Schmidt (Berlin: Rotbuch Verlag, 1977–80). The reader will find there further references too specialized to be included in such a brief survey aimed, as this one is, at the general reader.

[2] See A. S. Markovits and C. S. Allen, "Trade Union Responses to the Contemporary Economic Problems in Western Europe: West Germany," paper presented at the 1979 Annual Meeting of the American Political Science Association, Washington, August 30--September 3, 1979.

plant level, within member unions, and even within the DGB leadership itself. Implicit in these responses are new conceptions about the unions' relations to the state, to employers, and to its members. Singly, any of these developments could amount to a significant reform of the West German system of industrial relations. If they were deliberately linked together, they could be the first steps toward a revolution in relations between labor and capital. In what follows I will look briefly at the most important of these developments and at the system which might emerge from their combination. But to understand their significance it will first be necessary to say something about the present system of West German industrial relations, a system which seemed on the verge of proving its durability at the very moment its vulnerability to crisis was revealed.

Co-determination, Unions, Factory Counsellors

Since the early 1950s, when the present collective bargaining regime was established, the West German trade unions have been the hostages of their de facto representatives in the plants, the *Betriebsräte* or factory counsellors. It is they who set the limits of union policy and determine how it is to be executed in the factories. The institutional interests of the factory counsellors, moreover, tend to be curiously out of phase with those of the national union leaders. When the economy is booming and the labor market is tight, increasing the union's bargaining power and reducing management's willingness to risk conflict, the factory counsellors have reason to establish themselves as barons relatively independent of the union's central control. In doing that, as we will see, they help weaken the unions by isolating them from their members. But when the level of conflict rises, the *Betriebsräte* have equally good reasons for allying themselves again with the trade unions and even subtly encouraging rank-and-file militancy. The origins of this pendular motion, so crucial to the recent history of the DGB, lie in the Factory Constitution Act or *Betriebsverfassungsgesetz* passed in 1952 against the unions' bitter but futile opposition.

Consider first the elements in the legal regime which encourage the moderation of the factory counsellors in good times. First, the law restricted the *Betriebsräte*'s capacity to cooperate voluntarily with the union. The factory counsellors were to be elected by all employees of the firm, not union members alone. The law also subjected the factory council to a *Friedenspflicht*, an absolute duty to maintain peace in the

plant. In practice this meant that the factory council was forbidden to organize strikes in its own name or on behalf of the union, or even to encourage participation in any sort of industrial conflict.

Second, the *Betriebsverfassungsgesetz* severely restricted the unions' capacity to control company policy from above. The law—in this regard more conservative than the related legislation covering the iron, steel, and coal industries—granted labor the right to appoint only one third of the members of the *Aufsichtsrat*, a rough equivalent to our board of directors. Thus the unions had no means by which to control, bargain effectively with, or merely bribe the *Betriebsräte*: they were without managerial authority, ignorant of crucial information (because excluded from the key subcommittees of the *Aufsichtsrat*), and insufficiently supplied with the sort of well-paid jobs which might have served as patronage plums.

The joint effect of these provisions was to move the factory counsellors to establish patronage systems of their own at the factory level, independent of and to a certain degree even in opposition to the unions. The *Betriebsrat*, as we just saw, can officially neither encourage nor participate in strikes. But in times of conflict its popularity will surely be in jeopardy if its passivity creates the impression that it sides with management. It therefore has every reason to avoid collective conflicts requiring declarations of allegiance. One way to do this is precisely by treating the workers' needs not as collective problems but as a series of distinct personal difficulties with ad hoc solutions: the *Betriebsrat* becomes the worker's patron, doing his best in return for his client's loyalty.

Even when the factory council must address collective problems, as for example wage rates, the logic of its situation leads it to do so in a way which dilutes the workers' loyalty to the union as much as the creation of personalized patron-client relations. To be reelected, the factory counsellors not only must prove that they can solve individual problems, but that they can bargain successfully with management as well. To bargain successfully, the *Betriebsrat* must see to it that management has something left to concede at the plant level beyond what it has previously agreed to in regional or national negotiations. The only way to be sure of that is to make certain that the union's demands do not exhaust management's capacity to pay. So using their relatively expert knowledge of company finances and the workers' combativeness, as well as their strategic position in the lower levels of the union hierarchy—at the local level the most powerful *Betriebsräte* often simultaneously occupy the most important positions in the union administration—they can

often ensure that regional wage demands leave room for bargaining at the plant level.[3]

But consider next what happens when, as at present, economic difficulties make management increasingly willing to risk conflict rather than make concessions. As management becomes hard-nosed, the possibilities for obtaining favorable resolutions to individual problems all but disappear. So too does the *Betriebsrat*'s possibility of glorying in supplemental agreements augmenting the wage increases negotiated by the union: whatever the union demands by way of wage increases is too much for the company, not enough for the workers. Furthermore, as unemployment and economic dislocation begin to demoralize a work force less and less accustomed to turning to the unions for help, the factory council most fear more and more that it will reach up its sleeve without finding the hidden ace, the one thing which moves management to dispense the favors that make patronage work: the plausible threat that unless the firm is forthcoming, the union will organize a strike or the workers will revolt spontaneously.

With less and less to hand out and a diminishing capacity to get more, many factory counsellors will be tempted to act discretely—as the law requires—but deliberately to reinvigorate the union and reestablish the rank-and-file's attachment to it. Instead of distinguishing one worker's problem from another, they will attempt to aggregate difficulties, defining them where possible as collective dilemmas which only the union, and not factory council, can solve. For in this way they shift responsibility for their failures to the large organization at the same time they rekindle the enthusiasm of its members, thus strengthening it—and their own hand—in negotiations with management.

A convenient way for them to do this is by increasing the number and autonomy of the *Vertrauensleute* or shop stewards. Except where special plant-level agreements provide otherwise, the *Vertrauensleute* are elected only by the union members in the shop and are formally responsible only to them and the union hierarchy. Normally they are little more than apprentice factory counsellors, dependent for the latter on information and promotion, and more anxious to curry favor with them by signing up new members than to challenge their policies in public. But by the judicious use of indiscretions, winks, and turned backs, the factory council can give the *Vertrauensleute* the information, courage, and freedom they need to organize effective resistance to management. The price

[3] On the tensions between unions and factory counsellors, see G. Müller, U. Rödel, C. Sabel, F. Stille, W. Vogt, *Ökonomische Krisentendenzen im gegenwärtigen Kapitalismus* (Frankfurt am Main: Campus, 1978), p. 280 ff., which documents the *Betriebsräte's* control of important positions in the union hierarchy.

the *Betriebsrat* must pay for their cooperation is a share in the glory of success. But when mounting economic problems make inaction seem like failure, this is likely to seem not too high a price to pay.

There is in fact anecdotal evidence—reliable for its kind but limited by its very nature—that just this sort of change is under way. On this evidence, *Vertrauensleute* are playing a more important part in organizing strikes and formulating wage demands than ever before. This amounts to saying that the distance between the shop floor and the union organization outside the plant has decreased. This development, immanent in the institutional logic of *Betriebsverfassungsgesetz*, is encouraged by, and in its turn encourages, other significant changes in the unions' habitual way of doing things: a turning away from traditional reliance on the state as the protector of labor, and a redefinition of the meaning of participation in the labor movement. It is to these, their connection with each other and the *Vertrauensleute* that I turn next.

Blocked Reforms, Rationalization, and Lock-Outs

Today the West German trade unions are arguably more determined than at any time in their history to achieve the reforms they want through collective bargaining with employers rather than through legislative reform of the whole system of co-determination or through specific legislation regulating, say, hours of employment or the introduction of new technology. The agreement reached, after a three-week strike, between the metalworkers' union and the relevant regional employers' association in Nordwuerttemberg/Nordbaden in April 1978 is an example of the new tendency. It protects workers' incomes from the effects of dequalification, in a limited but not negligible way, and it also makes actionable at the plant level the factory council's right—formally but meaninglessly announced in existing legislation—to be informed in advance of technological innovations in production.

In part, of course, the increased emphasis on collective agreements is an attempt to make a virtue of necessity. The unions tried through the early and mid-1970s to extend their control over the economy from above by increasing their share of the seats on the governing boards of firms from one third to half. Their plans came to grief, in part because of the reservations of some Social Democrats about the reform, but mostly because of the opposition of the SPD's ally in government, the FDP. The Free Democrats count among their electoral clientele the liberal industrials and many upper-level managers of *leitende Angestellte*. Thus, what the coalition partners finally agreed to was the Co-determination Act of 1976, which gave labor half the seats on the *Aufsichtsrat* but

guaranteed one place to a representative of the *leitende Angestellte*, and—in the unlikely event that he sided with labor—reserved to capital the right to cast the deciding vote in case of ties. Gutted as it was, the new legislation solved none of labor's problems; on the contrary, by revealing both the unions' lack of influence within the SPD and the SPD's deference to the FDP, the struggle for the law convinced many in the labor movement that they could find no political redress for their problems, at least in the foreseeable future.

On another level, however, the unions' turn to collective bargaining reflects not their disappointments with parties and parliament but their understanding of the nature of the problems they currently face. As a rule extensive reorganization of work of the sort presently under way in West Germany profoundly unsettles shop-floor routines, often giving rise to numerous small conflicts. Left unsettled, these disturbances can cumulate to the kind of spontaneous and uncontrolled disruptions which embrace the established unions almost as much as management. To avoid this danger, the unions must decentralize authority from the national union headquarters toward the shop floor. Only in this way do those with the requisite detailed knowledge of the workers' mood and the specific effects of apparently small changes in the plant set-up have the authority to make the necessary decisions.

In West Germany this tendency, a reflection of the union's drive to organizational survival, has naturally reinforced the turn from politics to collective bargaining. The wave of rationalization has put a premium on agreements tailored relatively closely to the situation of a particular industry in a particular region; more general contract language aimed at one or more industries as a whole would leave so much unsaid or ambiguous as to be worthless as a guide to plant-level bargaining. Moreover, the tendency of unions to decentralize authority during periods of industrial reorganization reinforces another development to which I have already referred: the increasing influence of the shop stewards. Only the *Vertrauensleute* can keep tabs on the day-to-day developments on the shop floor; only they know when agreements are being applied in good faith or circumvented. Their capacity to formulate demands and to oversee the administration of the agreements to which they eventually lead augments the power which the *Betriebsräte* cede them as a consequence of the factory council's own difficulties.

A third major development, the employers' increased use of the lockout, also tends to lead to the same result. West German unions pay strike benefits which can amount to 90 percent of the striker's normal wage. To reduce the cost of strikes to themselves, DGB unions, like unions

elsewhere, therefore often resort to *Schwerpunktstreiks,* or strategic strikes against particularly vulnerable firms. More and more frequently employers have answered these *Schwerpunktstreiks* by locking out workers—often more numerous than the strikers—in the remaining firms in the affected region. If these lock-outs are legal—and there are inconclusive reasons, now being clarified in the courts, which suggest that the DGB is right in thinking they are not—then employers can ruin union finances almost at will.

If the unions had trust in the power and resolution of their political allies, they would most likely try to obtain legislation limiting the employers' use of lock-outs. But under present conditions, they fear that any attempt at reform is likely to produce a *Verbändegesetz*—a law on organized interest groups—which ties their own hands even more than the employers'. So, by a logic which parallels their reflections about a return to local initiative and collective bargaining, the more far-sighted union leaders have begun to speculate about the necessity of reviving traditional SPD and union ideas about solidarity and sacrifice. The *Fernsehstreik,* the television strike which the rank and file follow on the evening news, not in front of the factory gates, would be replaced by the traditional strike organization. Strikers would walk picket lines; community solidarity and determination would make up the deficit left by reduced financial benefits to those on strike. No one who proposes such a return to old-fashioned militance is unaware that it implies a return to trust in the organizational capacity and political acumen of the shop-stewards, who would bear the major responsibility for determining when to call a strike, how to organize it, when to terminate it.

Conclusion

The institutional logic of the factory councils, political defeats, the dynamic of shop-floor reorganization and the menace of the lock-out all propel the West German labor movement in the same direction: toward a decentralization of power to the shop stewards and revival of traditional ideas of solidarity and struggle. By itself, this development solves nothing. It could mean that labor, defeated in its political ambitions and on the run before economic developments it cannot control, is returning to the kind of isolation from German society to which it was condemned before World War I. Talk of the old-time virtue of self-reliance would be no more than an attempt to conceal weakness in nostalgia. Alternatively, the DGB may be able to link the revival of rank-and-file militancy with the acquisition of new rights and the extension of old co-determination ones. For example, the *Betriebsrat's* existing

capacity to delay changes in production scheduling could be connected to new regional collective bargaining agreements regulating compensation for changes due to technological innovation; teeth could then be put in both through extension of the unions' present participation in macro-economic planning (via their role in state incomes policy) and the introduction of new technology (via their influence in the state bureaucracies which control investment in research and development). By supplementing in this way local expertise and agreements with information and control from above, the unions would emerge from the present crisis with a more extensive and subtle command over the West German economy than they have now. But the precondition of this change—and certainly one of its results—will be a genuine democratization of the unions themselves. Only when the workers on the shop floor, through their stewards, are convinced of the necessity of struggle and its possibility of enduring success will they make the sacrifices and exercise the practical intelligence that can make the crisis end with labor better off than it was before.

Labor Relations in Post-Franco Spain: The First Four Years

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Spain's remarkable democratic transformation is of special interest to students of labor affairs. During the long interregnum of dictatorial rule, the system of labor relations, heavily influenced in its initial structuring by the Italian fascist-corporative model, was a distinguishing hallmark of the authoritarian regime. Labor relations and worker representation had become a bureaucratic state function administered by a small army of civil servants and political cronies. A single body, the Spanish Syndical Organization (OSE), possessed legal sanction and it was fashioned to function as an integral part of the government with obligatory membership for all workers and employers. Collective bargaining, once it was permitted starting in the late fifties, was closely circumscribed and subject to extensive controls and government manipulation. As a consequence, therefore, the nature and extent of a return to practices associated with western democratic industrial societies provides significant indicators in assessing the scope and substance of Spain's social and political transformation.

Increased attention is being given by specialists and policy-makers these days to the devolution process of former authoritarian regimes to democratic rule, with particular attention to Latin America and the Iberian peninsula. It is axiomatic that accompanying changes in the field of labor relations almost invariably mirror transformations in the larger social and economic arena. The Spanish experience also suggests that the extent of change in existing labor structures is essentially a function of the scope and depth of change in the general political and economic configuration. The establishment of an economic power equilibrium between labor and management that is the prerequisite for any healthy, stable relationship unavoidably involves a lengthy, difficult, and sometimes painful process.

Four years have now passed since the end of the Franco regime and the commencement of the democratic transformation. How have labor relations fared in this process? To what extent has Spain's system of in-

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dustrial relations taken on the features associated with those of modern industrial nations? The response must be a qualifiedly positive one. A more categorical judgment awaits a further unfolding.

The decision to embark on a transformation of the monolithic labor system came only after the failure of rearguard attempts to resist such a wholesale dismantling. During the initial phases of the post-Franco period, an effort was made to secure the continuance of a modified version of the Francoist labor organization but to no avail. The leaders of the provisional government soon came to understand that the restoration of full trade union liberties, a modernization of labor-management relations, and the dismantling of the authoritarian system were prerequisites in establishing the credibility of the new government's democratic vocation. Moreover, the support by most workers of the semiclandestine unions and the insistance by the left political parties on thoroughgoing changes were added factors in persuading the government to undertake basic labor reforms.

When parliamentary action was finally taken in April 1977 to restore trade union and employer rights, it merely served to give legal sanction to a process that had already become a fait accompli on the trade union side. From the sixties onward, under the leadership of the illegal unions, increasingly massive worker opposition to authoritarian constraints on independent organization and collective bargaining had led to growing institutional dysfunction to the point of virtual breakdown. By the seventies the majority of plant delegates serving as representatives of the official employee representational councils (*jurados de empresa*) had been elected on slates sponsored by the opposition organizations. The standing of the government's union officialdom had reached such a low state that most major strikes and labor disputes were being conducted by the illegal unions and it was not uncommon for employers, despite legal prohibitions, to informally negotiate with them.

Following the dismantling of OSE and the granting of basic organizational rights, further progress slowed to a snail's pace. Mainly for political reasons those who run the country chose to delay the establishment of a new legal framework for labor-management relations so that during the past two years labor reform became the forgotten stepchild of the democratic transition. The stalemate was primarily attributable to the nature of political developments during the initial years of the post-Franco period, the onset of economic slump, and the precedence given to other aspects of the transition process. It is only in recent months that basic legislation covering the gamut of essential areas such as the functions of the new plant employees works councils that have been in

existence for more than a year and a half, the nature and scope of collective bargaining and the union role, as well as a host of related issues have received the attention of Spain's parliament, the Cortes. For more than three years labor relations have been conducted without the benefit of an appropriate legal "rules of the game."

The status of trade unions in post-Franco Spain, or more specifically their present organizational and institutional weakness, is the consequence primarily of two factors: (1) the climate of extreme politicization since the outset of the post-Franco era resulting from the all-engrossing rivalry of the political parties, and (2) the ill-fortune of having their rebirth take place in the midst of economic recession.

The bulk of Spain's working class traditionally has maintained allegiances to the political left, and the country's leading national labor centers, the Workers Commissions Trade Union Confederation (WC) and the General Union of Workers (UGT) are respectively linked with the Communist and Socialist Workers Parties. It was, incidentally, because of this that following the conclusion of the civil war the victorious Franco government established a labor system that placed the greatest emphasis on control and surveillance rather than worker representation.

The center right forces assembled by Prime Minister Adolfo Suarez into the then recently created Union of the Democratic Center (UCD) went into the first post-Franco parliamentary elections of June 1977 confident of emerging with a decisive parliamentary majority. The Communists, who had played a leading role in the anti-Franco opposition and had gained control of the Workers Commissions movement, expected to be confirmed as the principal party of the Left.

Both were to be bitterly disappointed. In a stunning upset the Socialist Workers Party (PSOE) came close to matching the vote received by UCD, while the latter fell short of obtaining a parliamentary majority, and the Socialists far outdistanced the Communists, 29 to 9 percent.

The electoral success of the Socialists was a boon of inestimable importance to the prospects of their trade union ally, the UGT, who had lagged till then well behind the WC in influence and numbers. Perceiving viability of a socialist trade union alternative, large numbers of workers then proceeded to join UGT, so that by the time of the first post-Franco elections for delegates to the new factory works councils (*comites de empresa*) in 1978 it had become evident that the Communist hope to establish the degree of trade union hegemony their counterparts in France, Italy, and Portugal enjoy was no longer possible. An estimated 34 percent of the elected delegates represented the Workers Commissions and 22 percent the UGT. Thus the Communists were confirmed as the

principal force in organized labor but unquestioned predominance had been relegated to a distant aspiration.

An enthusiasm for activism and membership prevailed during the initial phase of the democratic transition as large numbers availed themselves of their newly won freedom to join the recently legalized political parties, trade unions, and employer associations. But it was an enthusiasm that was to prove short-lived, especially for the unions.

Events tended to conspire against them. The exigencies in assuring a successful transition to democracy and the onset of serious economic difficulties impelled political and trade union forces representing virtually the entire spectrum to mute their natural proclivities for confrontation and agree to an extended political consensus that was to remain in effect until early 1979.

These actions proved highly beneficial in assuring a smooth passage to democratic government and to render possible the drafting of a new constitution based on a broad consensus, but, coupled with somber economic prospects, they proved to be highly damaging to union development.

The re-emergence of free trade unionism unhappily coincided with a decision by the Left to accept a political truce, fearful of a possible recrudescence of authoritarian forces and anxious to strengthen the viability of the newly installed democratic regime. Part of the price for the unions involved giving up their freedom of action to militantly seek wage increases. Instead, at the urging of their political patrons, the unions were obliged to accept a 22 percent wage increase ceiling for 1978—representing no increase in real wages and barely keeping up with inflation—at the very moment of their rebirth.

The impact of these developments on workers only recently liberated from 40 years of government-controlled labor representation was understandably negative since the new unions were able to demonstrate only a modest ability to improve wages, hours, and working conditions. Having only barely begun the process of acquiring trade union consciousness, they have reacted predictably with a lessened response to strike calls and a drastic decline in the number of dues-payers.

Still another factor contributing to the current weakness of the Spanish labor movement has been the virtually asphyxiating effect of the excessively politicized environment in which the unions have been forced to operate. The net result has been an extensive subordination of institutional needs to political ends.

Organized labor in Spain partakes of the highly political character that distinguishes trade unionism in the Latin countries of Western

Europe. But the Spanish political climate in recent years has taken on inordinate dimensions. The initial years of the democratic transition have been a time of acute rivalries as contending political forces fiercely competed for power and electoral influence. The unexpectedly large support received by the Socialists in the June 1977 parliamentary election prompted the center-right government of Prime Minister Suarez to enter into a tacit collaboration with the Communists for the purpose of containing the Socialist resurgence, a development that inevitably influenced the formulation of government labor policies.

The Suarez government has regarded the unions almost exclusively in political terms since the two leading labor confederations are controlled by Socialists and Communists. In its estimation, therefore, other than for purposes of political manipulation there was little incentive to promote basic reforms in labor legislation. There was, on the other hand, good reason to maintain them in a weakened state, for it would aid the ruling Union of the Democratic Center Party in its effort to establish a third major labor center that would serve as its labor adjunct.

Nor were the actions of the Socialist and Communist Parties conducive to effective trade union development. Engrossed in a crucial contest for political advantage, their respective trade union adjuncts were constrained to concern themselves at least as much, if not more, with political mobilization and tactics as with essential trade union tasks. In such an environment institutional needs and the credibility of the unions necessarily suffered.

The outcome of the March 1, 1979, parliamentary election marked a perceptible change. The election results reflected a decisive turnback of a Socialist challenge to the continued incumbency of the Suarez government and a strengthened parliamentary standing for the victorious UCD. Accrued political strength and the reasonable assurance of remaining in power until 1983 persuaded the government in recent months to abandon its dalliance with the Communist Party (PCE). Moreover, since PSOE no longer represents a threat to its continued tenure, the country's principal parties, to a greater extent than before, have found it mutually beneficial to establish working compromises on pending legislation such as the new Workers' Statute (*Estatuto de los Trabajadores*). The Statute was passed by the Congress of Deputies on December 20.

Most likely it was employer influence that was instrumental in the government's decision to embark on a new approach to industrial relations and the Communists. The Spanish Confederation of Employer Organizations (CEOE), which serves as the principal spokesman for employer interests, is endeavoring to reduce the highly interventionist

government role inherited from the Franco regime and to carve out for itself a larger role in the setting of economic and labor policies.

In July 1979, prior to the inauguration of parliamentary discussions on the proposed labor statute, the CEOE and UGT entered into a pact that set forth their joint support for a number of proposed provisions for the labor code. This unprecedented development set the stage for the subsequent unveiling of the new policy.

The pact marked a major departure not only for the future configuration of labor-management relations, but also as a portent of the coming change in attitude toward the Communists. The principal thrust of PCE strategy is designed to increase its acceptability, and the Workers Commissions Confederation, as a consequence, has insisted that the setting of national economic and labor policies should be taken up in formal discussions between government, employers, unions, and the political parties (*negociaciones a cuatro bandas*). The UGT argued that such matters require labor-management consultations to lend them a more functional character and to establish the practice of high-level labor-management consultations. When the CEOE sided on this issue with UGT, the Workers Commissions withdrew from the talks.

The UGT also emerged the gainer in a dispute with WC over the roles to be accorded, respectively, to the unions and the factory works councils. The WC has consistently sought to confer wide-ranging powers on the works councils, including the right to negotiate on wage and other economic issues, in order to exploit its appreciable superiority in experienced cadres and UGT's deficiency in this area. The UGT, on the other hand, has argued in favor of a larger role for the unions at the plant level and has proposed a delineation of functions similar to what prevails in most West European countries, namely, that works councils be empowered to represent workers with respect to most nonwage matters while unions bargain for wages, hours, and related issues. Both the pact with CEOE and the provisions of the new statute favor the UGT approach.

An underlying factor in this rapproachement has been mounting concern in employer and center-right political circles that the tacit alliance between the Suarez government and the Communists, if it were to continue, might eventually lead to Communist labor hegemony, especially since the government's effort to create its own trade union arm has ended in total failure. In their view, therefore, a new policy was required—one that reduced the PCE's disproportionate influence in the country's political life. As a result, a series of concerted developments—the CEOE-UGT pact, the adoption of a labor statute that incorporated the UGT-

CEOE proposals, and the government's change of attitude toward the Communists—heralded an important shift in labor policy and in the country's political alignments.

Such a shift necessarily involved establishing improved relations with the PSOE/UGT. The latter, who regard the PCE/WC more as rivals than as appropriate collaborators, view the government's current attempt to isolate politically its erstwhile allies as excessive and counter-productive, but they are, nevertheless, disposed to enter into working compromises with the Suarez government on specific issues such as the labor statute.

The Communist Party and the leadership of the Workers Commissions Trade Union Confederation understandably have denounced the new statute, from whose formulation they have been excluded, as retrograde and prejudicial to the workers' interest. As it presently stands, however, a more balanced judgment would lead one to assess it as being somewhat partial to employer interests but, nonetheless, constructive in a number of important aspects. It holds up fairly well when compared with comparable legislation in other West European countries. Moreover, despite the acute political controversy accompanying the passage of the new Workers' Statute, the log-jam preventing the establishment of a coherent post-Franco labor relations structure has been breached at long last.

Viewed in a broader context, the democratic devolution process now seems to have attained sufficient stability to render possible the inauguration of a similar evolution in labor-management relations as well. The establishment of "rules of the game" signifies that a gradual institutionalization of the collective bargaining process and role definitions of the protagonists can now proceed along structured lines. For the unions that have fallen on hard times, a strengthening of their role in the new collective bargaining system and in the formulation of national economic policies holds the promise of eventually providing them with an institutional capacity that has thus far eluded them and to the gradual emergence of a specifically trade union voice in the country's economic and social life they have sorely lacked. Such an evolution, should it come to pass, could serve to liberate the unions from their presently excessive dependence on the political parties. Throughout the initial years of Spain's democratic transition, the trade union-party nexus has tended to function as a largely unilateral transmission belt rather than as a mutually beneficial channel between allied but not always congruent interests.

XII. DISSERTATION ROUND TABLE

The Impact of the Occupational Safety and Health Act of 1970 on Occupational Injuries*

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The purpose of this research is to investigate the impact of the Occupational Safety and Health Act of 1970 on occupational injuries. Previous attempts to evaluate OSHA are hindered by the noncomparability of Bureau of Labor Statistics work-injury data before and after 1971. This study uses individual case records provided by the New York, Texas, and Florida Workers' Compensation agencies to construct a measure of the frequency of injuries in manufacturing industries for time periods before and after the implementation of OSHA standards. This unique data base yields injury rates that are not affected by the changes in reporting requirements and data collection methods which affect the BLS data.

These states were chosen not only because of the availability of pre/post OSHA time-series data, but because the states differ markedly with respect to pre-existing safety regulations. New York had strong pre-OSHA state safety regulations and, on the basis of these standards, was approved to operate an OSHA state plan. Texas and Florida had relatively weak legislation before OSHA (Texas had none before 1968) and neither was approved to operate a state safety plan.

Based on a review of previous studies of industrial safety regulation, a theoretical framework is developed which treats safety standards as a constraint on firm behavior which may or may not be binding. In this framework, an analysis of private incentives to invest in safety indicates that, even assuming perfect compliance and a stable inverse

* This dissertation was completed at Syracuse University.

relationship between safety inputs and injuries, it can logically be expected that some firms will experience no change in their injury frequency rate as a result of mandatory standards. With respect to the severity of injuries, the analysis indicates that if standards focus on reducing the frequency of injuries that, under certain conditions, the result may be an increase in injury severity.

The empirical analysis is confined to an evaluation of the impact on injury frequency rates. The hypotheses are tested using pooled cross-section, time-series data for manufacturing industries in each state (New York—18 industries, 1964–73; Texas—16 industries, 1966–68, 1973–1974; Florida—19 industries, 1969–1973). Two empirical approaches are used. In the first a prediction model is specified and estimated using the data through 1970. A predicted injury rate is calculated for each industry using the coefficients from this estimation and the difference between the predicted and actual rate is tested for significance. The second approach consists of pooling the data for all industries in both pre-OSHA and post-OSHA time periods. The injury rate is regressed on variables which explain variations in injury rates across industries and over time using a generalized least-squares technique. Binary variables are then used to test the various hypotheses about the impact of OSHA.

The results indicate that OSHA regulation did not lower the average injury frequency rate in manufacturing. The results do indicate that in a very few individual industries the injury rate is lower than it would have been in the absence of regulation. However, the size of the impacts in these industries is small and approaches statistical insignificance.

A Program of Conflict Management: An Exploratory Approach*

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An examination of the experimental conflict management technique, Relations By Objectives (RBO) which was developed in 1975 by the Federal Mediation and Conciliation Service, provides the basis for this research. RBO is a collection of techniques designed to de-escalate hostility and conflict (between unions and managements who have been involved in a history of overt conflict and mediator intervention) in order to create an environment which facilitates the program's further attempts to develop greater participant skills in the areas of communication, mutual goal setting, and goal attainment. The techniques include the use of mixed union and management small group discussions, large group discussions of structured questions, and exercises in action planning.

The objectives of this research are: (1) to present an evaluation of RBO which integrates the values of the institutions and individuals affected by the program, and (2) to examine the results of the evaluation in the context of previous research on intra-organizational development techniques. A multidiscipline approach was taken, involving a review of literature in industrial relations, sociology, organizational behavior, and political science.

The sample includes five sites where RBO had been implemented during the past three years, and a matched comparison group. Questionnaires and semistructured interviews were developed to collect data from members of managements and unions, as well as from the mediators involved at each site.

The initial results suggest that at each site, the union-management relations prior to the RBO were characterized by both a lack of trust and communication between the parties. In all cases the parties had experienced strikes during contract negotiations and several had experienced wildcat strikes as well. It was shown that the managements were making frequent unilateral decisions without consulting the unions, but the unions were also lacking a problem-solving orientation.

* This research was funded by an AAUW fellowship.

The parties were willing to commit their organizations to the RBO program based on their belief in the mediators' credibility and because they felt that they had "nothing to lose." The unstable levels of productivity and/or production costs motivated management, while union officers often felt pressures from their members to settle contracts and grievances without the use of strikes.

Although topics of discussion during the RBO sessions ranged over a wide area and tended to be related to work problems specific to each enterprise, a number of items were discussed at each RBO site. These include: the use of employees as sources of work-related information, absenteeism, the use of the grievance procedure, and the improvement of communication, both within and between both organizations. In general, it was felt that the RBO procedure had reduced the number of issues that were present in the post-RBO negotiations.

Progress on the specific goals formalized within the initial RBO sessions has been achieved, although in at least one case it was reported that there had been a reduction of effort. At several of the sites investigated in this study, formalized joint labor-management committees have been formed as a result of the RBO programs and have been used successfully to monitor actions taken on joint goals. The RBO sites have experienced a general reduction of friction in their labor-management relationships.

Remaining areas of the research include the presentation and discussion of individual site profiles, a discussion of the above results in the context of previous organizational change studies, and finally, a discussion of the appropriateness of the application of conflict management/resolution techniques in general, and RBO specifically, to various categories of union-management relationships.

Roles and Strategies of Labor Mediators*

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Mediation is frequently characterized as an art, dependent on the personal and idiosyncratic style of the mediator. Yet, empirical research on the process has, for the most part, failed to consider the mediator's perspective on his art. How mediators understand, interpret, and practice their art are the subjects of my research.

Analytically, the study draws upon several perspectives on social interaction. Mediators are seen as "self-conscious" social actors, who seek in their interactions to achieve both instrumental and expressive objectives. Strategies and tactics can, therefore, be understood as the meaningful actions taken by the mediator to achieve those objectives. As such, the types of strategies and the conditions of their use depend upon how the mediator sees his role in the process and on the ongoing interpretations he makes of the issues, positions, and actions of the other parties in the case.

To study mediation in this way, I was a participant observer in two mediation agencies, one a state office of conciliation, and the other a field office of the Federal Mediation and Conciliation Service. Detailed observation and informal interviews during 15 cases provide the major source of data. Published first-hand accounts of mediation practice and informal interviews with other mediators supplement the case material.

The state and federal mediators practice their art quite differently. State mediators see their role in a case as active participants, called in to resolve the substantive issues in dispute. These mediators claim that the parties lack the negotiating skills and experience to settle their differences. Therefore, the mediator is needed "to make a deal," a deal that meets their definition of a "reasonable" settlement. In order to make a deal, state mediators use their role as "message carrier" to actively argue and persuade the parties of the merits of certain positions—positions that might reflect the parties' preferences or those of the mediator. Movement and ultimately settlement of the dispute are achieved, the state mediators believe, by their persuasive expertise.

The federal mediators, in contrast, describe their equally active role as "orchestrators" of the process; their service is to provide a new forum

* This dissertation was completed at Massachusetts Institute of Technology.

for the parties to continue their negotiations. As in the case of the state mediators, the way the federal mediator handles the case is based on the view he has of the parties and his expectations about their likely behavior. Federal mediators distinguish between the spokesman for the party, often a knowledgeable professional, and his committee, who may lack experience. The federal mediators expect the "pros," under normal circumstances, to make the substantive arguments to the other party and to their respective committees. Hence, the federal role is not to argue and persuade for his own or a party's position, but rather to lend his credibility and expertise, if needed, to help the "pro" do the work with his committee. Movement is achieved, according to federal mediators, by allowing the parties to work out their own settlement.

The differences in role definition are made manifest in the mediator's strategic use and sequence of meeting types to structure his own and the parties' participation in the process. State mediators in their pursuit of a deal, rely primarily on separate meetings with the parties to learn their positions, to convey proposals back and forth, and to argue the party's position with the other side. In contrast, as orchestrators, federal mediators want the parties to have maximal opportunity to negotiate face to face. Thus, federal mediators learn about the issues in joint session, encourage the parties to develop their proposals in caucuses without the mediator, and have these proposals exchanged in joint meetings. Even those strategies that are commonly referred to in the literature—providing expert information, getting the parties to face reality, and helping them to save face—are enacted quite differently by the two groups of mediators.

Since a mediator lacks formal authority to settle a case, his ability to mediate depends on his credibility with the parties. When the mediator makes errors in timing, judgment, and language, his credibility with the parties is comprised. The differences in roles and strategies are important, therefore, because each role carries its own potential for mistakes.

Because the federal mediators work primarily in the private sector and the state mediators largely in the public, it might be argued that these differences in role are due entirely to sector. However, the mediators' descriptions of their roles in a noncustomary sector, e.g., when a state mediator works in the private sector, suggest that they play their customary role across sectors. It seems, rather, that the observed role and strategy differences result from selection, training, and discrepancies of status and prestige between the two services. To the extent that this interpretation is true, the findings of the study suggest new options that mediation agencies might consider in training future mediators.

DISCUSSION

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Two years ago, I was involved in the dissertation roundtable as a new graduate. At that time I was extremely frustrated by the need to collapse more than a year's work into a two-page abstract and a seven-minute presentation. I would like to assure the individuals presenting their dissertations today that it is even worse to attempt to comment on these studies, and how they reflect on the state of industrial relations generally, on the basis of a brief abstract. However, with a caveat about the dangers of evaluating a dissertation on an abstract, specific comments are offered on each piece of research followed by a discussion of the nature of industrial relations.

First, however, it is important to note that each of these dissertations is notably different, both in terms of theoretical approaches and methodologies. One draws heavily from the theories of labor economics and econometric analysis to evaluate the impact of OSHA; the second uses ethnomethodology to examine the conventional wisdom in the field of industrial relations on the topic of mediation; and the third assesses the effects of an organizational intervention, Relations by Objectives, in a labor-management context borrowing from the concepts and techniques of organizational behavior. Each of the topics chosen is clearly appropriate for dissertation research in both scope and importance. Moreover, each author appears to have selected a design and methodology appropriate for problems chosen for study. However, it is also important to note that in providing more detailed comments, my evaluations are clearly biased by my own preferences for interdisciplinary research in the field of industrial relations.

Dr. Curington assesses the impact of the passage of the Occupational Health and Safety Act (OSHA) in 1971 using data on individual injuries from workmen's compensation records in New York, Texas, and Florida for various years between 1964 and 1974. The research design, by selecting three states with different pre-OSHA experience and obtaining data which are comparable over time should allow a rigorous evaluation of the impact of the law. Interestingly, using various econometric analyses, the study showed no effects for the passage of OSHA.

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This is especially important given that while no reduction in the frequency of injuries might be expected in states with strong pre-OSHA legislation (e.g., New York), an impact would be hypothesized in the other states.

Thus, the main question which must be raised is why no impact is discovered. Is this a true result or an artifact of research design or analysis? Curington presents a firm-level theory of the expected impact of OSHA but is forced to collect data at the industry level. This aggregation may have had an impact on the results. Alternately, OSHA establishes behavioral requirements and standards which if followed are expected to reduce health and safety problems. Thus, more research needs to focus on the impact of OSHA on the adherence to these standards. Moreover, the impact of a law of this nature is highly dependent on its enforcement through inspections and charges. Therefore, it might be important to examine the role of inspections or charges in maintaining health and safety standards and ultimately lowering injury rates. As such a much more micro (firm-level) analysis of the influence of OSHA is needed.[1]

Dr. Kolb's dissertation research involves a participant-observation study of 15 mediation cases involving state and federal mediation agencies in Massachusetts. This study is important and interesting for several reasons. Most studies of mediation have been limited to an analysis of aggregate rate of settlement at mediation under various impasse procedures. On the other hand, much of the literature presents conventional wisdom on what makes a good or bad mediator. The benefit of the type of research presented here is that it provides an in-depth understanding of such questions as timing and strategies used by mediators and under what conditions they are effective, as well as enlightening us on ways in which mediators develop credibility and influence the parties to change their positions. In fact, Kolb's results show that state mediators are out to make a deal at any cost while federal mediators attempt to orchestrate a settlement. Furthermore, to do so each uses a different set of strategies.

While this is interesting research, several questions still need to be addressed. It is unclear what the dependent variable is—settlement rate, effectiveness of the process, or effectiveness of the mediator. On what characteristics of the situation or the parties are the strategies contingent? The results show substantial differences between public and private sectors, but it is unclear if these are due to variations in the

[1] See, for example, T. Kochan, L. Dyer, and D. Lipsky, *The Effectiveness of Union-Management Safety and Health Committees* (Kalamazoo, MI: W.E. Upjohn Institute, 1977).

laws, the pressures on the parties, the nature of the economic environment, the experience of the parties, or the selection, training, and socialization of the mediators themselves. Finally, it is difficult to determine whether or not the author's participation in the mediation cases had any impact on the proceedings generally or the style and strategies used by the mediator. The potential contribution of this work, when combined with previous empirical studies,[2] will be the development of better theories of the effectiveness of the mediation process.

The third dissertation is a study to evaluate the impact of an intervention program, Relations by Objectives (RBO), designed to de-escaluate hostility in union-management relations. Dr. Hoyer selects five sites where RBO is used, along with a matched control group, to evaluate the program. Apparently, RBO helps the parties to set goals to improve the level of trust and communication in the relationship and reduce the amount of friction and overt conflict. The results tend to support the efficacy of the program.

Unfortunately, it is extremely difficult to determine (from a two-page abstract) what the actual or desired outcomes of the interventions really were. That is, what are the dependent variables? This is important given that presumably each of the union-management relationships could be establishing goals involving changes in different dependent variables, making comparisons across groups difficult. Moreover, research of this nature can be easily troubled by a self-selection bias. Only parties who are desperate to improve their relationship would turn to this type of intervention. In which case, any intervention may have been just as effective and all that may have been produced is a Hawthorne-type effect. Finally, it is unclear how the program is implemented. Although it appears that a skill-building approach is adopted, a question needs to be raised about the equivalence of the treatments across groups and whether or not differences in initial relationship or treatments were controlled in the analysis. Despite these methodological questions (many of which would probably be answered by reading the whole dissertation), the results have important ramifications for future attempts to intervene in union-management relationships.

Inevitably, an evaluation of dissertations must ask whether or not they are well grounded in the literature and problems of industrial relations. Each of the dissertations has adopted a problem focus or policy orientation which is characteristic of traditional research in the field of

[2] T. Kochan, M. Mironi, R. Ehrenberg, J. Baderschneider, and T. Jick, *Dispute Resolution Under Factfinding and Arbitration: An Empirical Analysis* (New York: American Arbitration Association, 1978).

industrial relations. This approach is important as it ensures that the field maintains its relevance, not only for other researchers but also for policy-makers and representatives of unions and management. Curington's research has direct implications for OSHA; Kolb's for the training and selection of mediators; and Hoyer's for the use of organizational interventions in union-management situations. The authors have also grounded their research in the literature of industrial relations. However, in this case, each appears to be primarily focused on a single discipline. One of the strengths of industrial relations is its interdisciplinary approach, and each of these dissertations could have benefited by expanding its scope to include the theory and methodologies of other disciplines. For example, Curington's research would have been improved by a more behavioral orientation in developing a theory of the expected impact of OSHA and then a more micro-level analysis, while Kolb's work could have paid more attention to theories of organizational training and socialization as well as contingency theories of the mediation process. Past discussants, however, have noted that interdisciplinary research is risky and may best be left until after the dissertation is completed to be part of a larger systematic study of the topic.[3]

At this point, other discussants have typically turned to the question —what do these dissertations tell us about the direction and the future of the field of industrial relations? As a relatively junior member of the field, the answer must be left to more senior and thoughtful individuals than I. However, the dissertations presented are all relatively well designed and implemented, have adopted methodologies appropriate to test their models, and have selected important problems to study. This in itself speaks well for the future of the field. More important, however, is the fact that these studies are likely to stimulate more research and help to build a more systematic body of knowledge on these topics. If this happens, the field of industrial relations will continue to grow and never stagnate. I hope that these three scholars will continue to examine their topics, taking the next logical step in a long-term systematic research program to help provide the in-depth analysis we need on each of these important issues.

[3] See Milton Derber, "Discussion," and Walter Fogel, "Discussion," *Proceedings of the 30th Annual Meeting, Industrial Relations Research Association* (Madison, WI: IRRA, 1978), pp. 335–42.

XIII. EFFECT OF GOVERNMENT REGULATION ON PRODUCTIVITY AND COSTS

Regulating Alien Labor in Industrial Societies*

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In fiscal 1978, the Immigration and Naturalization Service (INS) apprehended and returned over one million aliens illegally in the U.S., a tenfold increase in annual apprehensions since 1966. Aggregate apprehension statistics conceal the fact that some individuals are nabbed several times in one year, but the upward spiral in gross apprehensions supports the suspicion that foreign nationals are illegally entering the U.S. at an increasing pace. Estimates vary, but most observers believe that 4 to 6 million "illegal aliens" or "undocumented workers" currently reside in the U.S., a stock growing by 100,000 to 500,000 persons each year.

Mexicans figure prominently in illegal immigration debates because 92 percent of all apprehended aliens are Mexican.[1] The U.S. shares a

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[1] Over 95 percent of all deportable aliens located in fiscal 1977 were Spanish-speaking persons from Western Hemisphere nations. The apprehension of 954,778 Mexicans was followed by nearly 8000 El Salvadorans. *INS: 1977 Annual Report* (Washington: INS, 1979), p. 102.

largely open 2000-mile border with Mexico, where the un- and underemployment afflicting one-third to one-half of the working population drives down wages to levels that make an *hour's* work in the U.S. as remunerative as a *day's* work in Mexico. The willingness of American employers to hire aliens complements the push forces encouraging the northward trend, swelling the 1970s' wave of legal and illegal immigration into the U.S. and making immigration issues of vital importance in the 1980s.

Given the socioeconomic forces motivating both aliens and employers, is this putative "illegal alien invasion" amenable to regulation? If the flow of alien labor can be regulated, should it be? How should the U.S. go about regulating it? Would current flows be better managed if illegal entrants were converted into legal "guestworkers," or would increased permanent immigation, amnesty, and improved means of discouraging illegal migration be preferable? Finally, what domestic and foreign policy trade-offs can and should be U.S. make in order to curb illegal immigration?[2]

Subsequent sections of this paper examine and analyze America's illegal immigration in light of contemporary worldwide labor flows, the European experience with regulating legal guestworkers, and ways in with the current illegal immigrant flow is regulated in the U.S. One of the basic policy alternatives facing the U.S. is presented in the final section: Would we be better off if current illegal migrants were converted into legal guestworkers?

International Labor Migration

An estimated 14 to 20 million persons are currently living and working in countries in which they hold neither citizenship nor immigrant status. The magnitude and diversity of these labor migrations are unprecedented, reflecting (1) a continuation of traditional migration over the oftentimes artificial borders of new nation-states (e.g., African labor migration), (2) informal or illegal immigration on a new scale, as from Mexico to the U.S. or Colombia to Venezuela, and (3) publicly and privately organized labor flows, as in Western Europe, the Middle East, and South Africa. Without exception, these international labor flows are controversial.

[2] A relevant but often overlooked question is whether we know enough about the local and national impacts of illegal immigration to even suggest the kinds of trade-offs the U.S. may face. Given the wide diversity of views just on the local *economic* impacts of illegal immigrants, it is not surprising that achieving a consensus to, for example, institute a work-permit or employer sanctions is so difficult.

Contemporary labor migration is a South-North flow of workers,[3] a radical change from the East-West movement of settlers characteristic of 19th-century migration. The primary reason for this change from permanent settlers to temporary workers is that most of the former immigrant-welcoming countries have drastically curtailed access since World War II.[4] Relatively affluent destination lands now limit permanent migration because they face specific rather than general demands for additional labor, because they fear that poor immigrants could place additional burdens on expensive social welfare programs, and because a variety of social, cultural, and political groups advocating limits to population and economic growth have gained a foothold in most industrial societies. Receiving-society reluctance to accept new immigrants coincides with the aspirations of many developing societies to prevent the "permanent" loss of their citizenry, even if the society cannot provide enough jobs and adequate incomes in the foreseeable future.

The main present-day labor flows can be grouped along several spectra.[5] Geographically, Western Europe's (excluding Britain) 5 million legal foreign workers and 7 million dependents represent the largest foreign population in any of the areas with alien labor. If the U.S. has 5 million alien workers, their illegal status probably keeps the (illegal) foreign population well below the 12 million European level. The oil-rich Middle Eastern countries are temporary home to some 3 million alien workers, often constituting 50 to 75 percent of the host country's workforce and sometimes, as in Kuwait, outnumbering the domestic population. West, Central, and East African nations may exchange 4 to 5 million aliens annually, often moving agricultural labor from one poor country to a less poor neighbor. South Africa's treatment of its 250,000 migrant workers is well known.[6] South American labor flows include some 2 million economic and political refugees, primarily to Argentina

[3] The significant East-West flow of refugees should be noted. The United Nations estimates the worldwide refugee population at 10–15 million, a postwar high. In many developing nations, centralized governments make it very difficult to separate economic from political refugees, e.g., are the Haitians arriving in South Florida economically motivated illegal immigrants or political refugees? See *World Refugee Crisis: The International Community's Response* (Washington: Library of Congress, CRS, 1979).

[4] In fiscal 1979, for example, the U.S. accepted 530,000 legal immigrants, probably half the total number of legal immigrants and refugees accepted by the world's other 160 nations.

[5] For an elaboration, see P. Martin, "The Future of International Labor Migration," *Journal of International Affairs* (forthcoming), and J.H. Lasserre-Bigory, "General Survey of Main Present-Day International Migration for Employment" (Geneva: ILO, 1975).

[6] South Africa also employs "foreign workers" from newly created tribal homelands. The 250,000 refers to migrants from truly independent nations.

and Venezuela. Caribbean labor flows usually involve agricultural workers, although alien service workers are also significant, as in the U.S. Virgin Islands. Asia experiences more refugee movements than labor flows. Eastern Europe, especially East Germany, has emerged as a temporary worksite for up to 500,000 Hungarians, Poles, and Romanians.

Most international labor flows move unskilled labor[7] from poor to relatively richer nations.[8] If accurate statistics were available, they would probably show that only half the world's alien workers enjoy legal status, the other half being without the benefit of legal protections or obligations.[9] Legal status is only one dimension of the bewildering variety of circumstances under which aliens work. Along a spectrum ranking receiving nations by their generosity toward alien workers, Sweden lies at one pole, offering all legally recruited migrants eventual citizenship, while South Africa lies at the other extreme, isolating migrants and enforcing workforce rotation. In between, West European nations usually offer permanent residence and family unification rights to employed aliens, the U.S. grants constitutional due process rights to illegally entered aliens but rarely permits adjustment of status, and Middle East nations usually leave the determination of migrant rights to the private employers who imported them, since few Middle Eastern nations have labor codes and even fewer have any enforcement mechanisms. It is interesting to note that the U.S., with the largest single-country de facto guestworker program, lies in the middle along the treatment-of-aliens spectrum.

The European Experience

The most widely discussed guestworker programs are those operated by West European nations.[10] Uneven postwar recovery first moved Italians into war-spared Switzerland, while refugee resettlement and

[7] As David North has observed, most temporary workers are drawn from the "middle ranks" of sending country workforces, since minimal savings must often be expended to travel to a recruitment office and secure papers or pay a smuggler to arrange illegal entry. The U.S.–Mexican border is one of the few land bridges connecting an industrialized nation and a labor-surplus developing country, accounting for a higher proportion of poorer persons among Mexicans entering the U.S. See North, "Worker Migration—A State of the Arts Review," unpublished paper, 1979.

[8] Wage and income differences are typically 7:1 or 8:1 between receiving and sending nations. An 8:1 ratio helps draw Mexicans to the U.S. In West Africa, the Ivory Coast's 1977 per capita income of $710 makes it host to workers from Mali ($110), Niger ($160), and Upper Volta ($110).

[9] Illegal immigration appears to be a "universal" problem. A recent GAO survey of 17 selected countries on all continents found every respondent complaining of illegal immigration. See "Information on Immigration in 17 Countries," GAO 79-15 (Washington: General Accounting Office, 1979).

[10] For an elaboration of the ideas in this section, see P. Martin, *Guestwork Programs: Lessons from Europe* (Washington: Joint Economic Committee, forthcoming).

the repatriation of nationals from former colonies provided Germany, France, and the Netherlands with additional labor. The political vision of a united Europe as well as a widespread belief that prosperity and labor shortages were inevitably followed by depression and unemployment led to general acceptance of the notion that labor-starved growth should not be curtailed if unemployed workers were available elsewhere. The formation of the European Economic Community (EEC) in 1957 incorporated the right of free worker mobility in Article 48, a mobility right which helped diffuse 2 million Italians across (non-EEC) Switzerland, Germany, and France by 1960.

European guestworker programs mushroomed between 1960 and 1973. Net annual additions to the foreign workforce approached 500,000 persons in the late sixties, allowing the alien workforce to reach 7 million by 1973. France and Germany absorbed over two-thirds of all Europe's migrant workers, but alien labor dependency was most pronounced in Switzerland where foreigners constituted one-third of the workforce. Although individual employer certification was required to ensure that native workers were unavailable, labor market tests were largely pro forma when unemployment rates remained below 1 percent. Government agreements regulating the recruitment, transportation, and rights of migrant workers were signed, but labor-short nations (especially France) readily permitted adjustment-of-status (e.g., tourist to worker). In 1972, the 8 to 10 percent foreign component of host country workforces was widely expected to double by 1980.

Contrary to this expectation, every European country importing labor imposed a general recruitment stop in 1973–74 (workers from EEC nations are exempt). Although the expected energy recession provided the pretext for restrictive action, debates on *Uberfremdung* ("overforeignization"), outbreaks of racial violence, the growing dependence on foreign workers to fill more low-level jobs, and the growing realization that foreign workers were becoming permanent residents helped to provoke the recruitment bans.

Four major lessons can be drawn from the European experience with alien labor programs. First, countries importing labor must reckon that a substantial fraction of those admitted as temporary workers will wind up as permanent residents, that guestworker programs become de facto immigration avenues for a fourth to half of those admitted. Many, indeed most, of those admitted as "guests" return, but the fact that some remain behind means that labor-importing countries are accepting permanent residents selected for their work-related skills by a small group of employers, not basing their immigration policies on broader human-

itarian grounds like family unification or refugee resettlement after national debates on the ideal society.

European countries imported workers to fill labor market gaps, usually in lower-level manual occupations (e.g., assembly-line workers, construction laborers, and general service workers). The second lesson to emerge from the European experience is that these low-level jobs do not "naturally" disappear; the availability of aliens, on the contrary, acts to retard mechanization, restructuring, or exporting these jobs. Instead, aliens seem to promote economic dualism, widening the wedge between good and bad jobs, further discouraging domestic workers and making the employer threat that "we will go out of business without aliens" a tautology.

The third lesson to emerge from the European guestworker experience follows from the first two. If temporary workers turn into permanent residents, how fast should the "guests" be integrated into the larger society? Once in place abroad, guestworkers form or unite families. Should guestworker children be educated and prepared to function in the host country, or would such integration efforts overly discourage returns? Guestworkers are recruited for lower-level jobs rejected by natives. If guestworkers *are* permanent residents, how long can host societies permit easily identifiable aliens to remain on the lower end of the economic ladder? Should integration be passive, relying on the second generation to provide upward mobility,[11] or active, as with affirmative action programs for the current guestworker generation? And should host nations acknowledge their "guests'" permanence by easing often stringent naturalization requirements?[12]

The fourth lesson pertains to the impact of labor emigration on labor-surplus nations. In theory, the labor-export "safety valve" provides (rural) workers with low marginal productivities both transferable skills and remittance incomes. Developing-country governments have fewer redundant workers to worry about and receive remittance income that can be channeled into employment-generating investments. Practical experience has not lived up to theoretical expectations. Skilled workers

[11] Michael Piore believes that guestworkers, reared in a relatively poor developing country, will be slow to assert demands for upward mobility. Their children, on the other hand, adopt host-country values and reject the menial jobs held by their parents. The European record does not show such a clear-cut distinction between generations. Most guestworkers are young, and some quickly adopt host-country values which result in demands for immediate improvement. See *Birds of Passage: Long-Distance Migrants in Industrialized Societies* (New York: Cambridge, 1979).

[12] Guestworker children born abroad remain citizens of their parents' country, which they may only visit, not the host country. The U.S. is one of the world's few nations that confers citizenship on all persons born here.

have the most incentive to emigrate and the least incentive to return. Despite efforts to send the unskilled, many skilled workers left and failed to return. Returning workers found they had acquired few readily useful skills. Rather than accepting factory work at home, returnees tend to buy land, construct a house, and purchase a taxi or delivery truck. Land purchases fuel land price inflation, new housing often requires imported materials, and the service sector booms at a time when many developing countries desperately need exportable goods to pay for oil imports. Remittances loom very large in labor-exporters' foreign-exchange receipts, but remittance income is too unreliable to finance any long-term development projects. Instead of promoting balanced development, exporting labor allows individuals to better themselves in ways that seem to distort rather than solve basic development problems.[13]

Regulating Illegal Immigration to the U.S.

Illegal immigrants either enter the U.S. without inspection (e.g., Mexicans crossing the southern land borders), enter with fraudulent documents at either land or air ports-of-entry, or enter with appropriate documents but later violate the terms of their admission (e.g., a tourist accepting employment). As with all illegal activities, no incontrovertible evidence on numbers, characteristics, or impacts is available. The illegal immigrant population is like a room whose size and shape is unknown. What we know of such persons comes largely from samples of apprehended and unapprehended aliens in both the U.S. and Mexico—"windows" whose size and shape is known.[14]

Most studies suggest that the "typical" illegal immigrant is a young unskilled Mexican male who crosses the U.S.-Mexican border surreptitiously and, if employed in Mexico, works in a similar U.S. occupation.[15] The primary entry motive is economic and, at least initially, few individuals plan to come to the U.S. for more than two or three years (Mexico's proximity and the current ease of entry allow many illegal Mexican migrants to spend several months each year at home). Illegal

[13] Some observers go even further, arguing that temporary labor migration is yet another plot by industrialized countries to preserve a reserve labor supply. See Marios Nikolinakos, *Politische Okonomie der Gastarbeiterfrage* (Hamburg: Rowohlt, 1973).

[14] Debates over the best way to study illegal immigrants are never ending. Three basic strategies are available: (1) legal immigrants can be studied and the results extrapolated to cohorts of illegal immigrants; (2) aliens can be interviewed after they leave the U.S., when they presumably talk without fear, and (3) aliens in the U.S., either apprehended or not, can be interviewed. Each strategy has advantages and disadvantages.

[15] See D. North and M. Houstoun, *The Characteristics and Role of Illegal Aliens in the U.S. Labor Market* (Washington: Linton & Co., 1976).

immigrants from other countries—perhaps 40 percent of the total or between 2 and 3 million—are more likely to be skilled, female, and with fewer intentions of returning, either annually or permanently.

The current flow of illegal immigrants is indirectly regulated at several levels. Relatively high U.S. living costs, domestic unemployment, relatively easy (re)entry, and the fact that the INS *does* apprehend some individuals who have been living in the U.S. 5–10 years encourages unemployed migrants to return if they anticipate a spell of U.S. unemployment. Thus, macroeconomic policy and apprehension tactics indirectly discourage at least unemployed migrants from remaining in the U.S.

Employed migrants, probably 90 percent of the illegal migrants here, are regulated more directly by employers. Employers "open the labor market door" for illegal immigrants, but rely on INS apprehensions to ensure a docile workforce. The combination of illegal status and the INS's partial border enforcement guarantees that illegal immigrants will work "hard and scared" whether helpless victims of systems beyond their control or income maximizers. A rational migrant knows that the border patrol can be eluded, but at the cost of a $200–400 smuggling fee and lost wages while being returned and awaiting reentry. A rational migrant must weigh the potential income gain possible if complaints produce wage increases against the more certain losses occasioned by apprehension and a return to Mexico. Given most migrants' short-duration stays, it is rational not to complain. The upshot of illegal status and enforcement strategies is a docile alien workforce. A border patrol–employer conspiracy could not have produced a better system to regulate alien labor in the employer's interest.

European guestworkers were imported at the behest of large employers. The U.S.'s illegal immigrants, by contrast, are believed to concentrate in small businesses, often without the managerial expertise or access to capital which would permit job restructuring and/or establishment expansion. The concentration of illegal immigrants in small establishments means that employers often (1) know the illegal aliens on their payrolls, and (2) maintain their own payroll accounting. In addition to any direct wage savings, illegal immigrants in small business allow employers to drive a payroll tax wedge between the costs of hiring natives and aliens that favors the latter.[16] Such taxes, which can cost the employer an additional 15–30 percent of direct wage costs, can be deducted from all employees' wages and forwarded to the appropriate

[16] The nation's current temporary (unskilled) worker program, the H-2 program, also makes aliens cheaper than natives by excluding temporary alien workers from social security and unemployment insurance coverage.

revenue offices only for natives. Since payroll tax records are verified only when individual employees claim benefits, illegal immigrants afraid to claim benefits never expose their employer's payroll tax savings.

If direct and indirect wage savings make illegal immigrants attractive to small employers, why do large employers use alien workers? If we assume that the larger hotels, factories, and construction firms "unwittingly" hire illegal immigrants—i.e., they *do* pay prevailing wages and payroll taxes—wage rigidities still allow aliens to provide significant wage savings. A large hotel with bottom-level vacancies could raise wages for maids and busboys or recruit more widely, attracting (at least some) alien labor. If the hotel has a relatively rigid wage hierarchy—required by union contract or tradition—preserving differentials between, for example, maids and clerks, the hotel benefits from the aliens' availability because aliens save the cost of job and wage restructuring. These costs could be substantial—e.g., if 50 bottom-level vacancies could be filled with a $1 per hour raise, the *total* cost of restructuring may be 1000 jobs × $1 per hour, not the $50 cost in a world of independent submarkets for labor. The significance of these restructuring costs can best be appreciated by recalling that European firms were willing to pay administrative fees, recruitment fees, transportation and housing costs, and translator expenses to import alien workers rather than restructure jobs.[17]

The Guestworker Alternative

Could the U.S. better regulate its illegal immigrant population if a guestworker program were initiated? At the outset, it should be noted that a guestworker program *alone* certainly will not solve the problem of illegal immigration; a guestworker program in conjunction with better border enforcement, employer sanctions, and worker identification cards *may* convert illegal immigrants into legal guestworkers. Before embracing the guestworker alternative, an exploration of the program's purposes is in order.

Some guestworker advocates argue that the U.S. needs alien labor to meet current labor market gaps or (expected) general labor shortages. Given high and persisting joblessness, how can a simple but accurate labor market test be devised to determine whether native workers are available for specific jobs or to ascertain the dimensions of a general labor shortage? Current labor market tests, which require a minimum period of recruitment at Department of Labor mandated

[17] Another reason European manufacturers preferred aliens to costly restructuring emanated directly from ownership of capital which required quantities of labor. Restructuring would require both internal labor market changes and the replacement of now obsolete capital.

wages, are cumbersome for both employers and government. Any assertions about future labor shortages beg an important question—what would happen to wages, working conditions, and jobs if alien labor were not available? It is certainly true that a "labor shortage" will inspire economic changes, but avoiding those changes implicitly assumes that the current job and wage structure is somehow the "right" one.

If general and specific labor market tests are both cumbersome and inconclusive, a guestworker program can still be justified as a form of foreign aid which costs the U.S. little. This argument usually begins with the assertion that the U.S.-Mexico border cannot be closed and, since the U.S. has tolerated illegal immigration, it cannot suddenly act to close Mexico's "safety valve" without exacerbating tensions with an oil-rich neighbor. Several issues arise immediately. If the U.S. takes a lead in solving world unemployment problems by admitting alien labor,[18] what proportion of the world's unemployed should we admit? Should we limit admissions to countries with a bargaining edge (Mexico), or should we include other nations now sending the U.S. illegal immigrants (Colombia, El Salvador)? Should the U.S. give first priority to the world's 10–15 million political refugees, or should unemployed "economic refugees" be given equal priority?

The purposes and effects of a large-scale temporary worker program should be carefully distinguished from granting amnesty to illegal immigrants already here. The immigrants now here have already made a labor market impact; amnesty will improve individual welfare without radically changing the already accommodated impacts of aliens.[19] Guestworker advocates are talking about *future* entrants, not those already here.

Any large-scale guestworker program will increase the availability of labor, increasing the (short-term) rate of return on now scarcer capital. Since guestworkers typically earn below-average incomes and because profits are unequally distributed, one immediate impact of a large-scale guestworker program is more income inequality. More subtle but real is the labor availability advantage handed employers. Given an uncertain economic outlook, employers will prefer easily shed workers to capital with fixed costs. The fact that native workers can make some claims on employers and society places at least some limits on labor-intensity as a way to avoid fixed capital costs when output cannot be sold. The beauty of a guestworker program to employers is that

[18] A proposal advanced by J. K. Galbraith in *The Nature of Mass Poverty* (Cambridge, MA: Harvard University Press, 1979), Ch. 8.

[19] Amnesty could change the economic impacts of illegal immigrants if it led to more family unification or formation, if it promoted job and residence mobility, or if it encouraged often poor aliens to use social services.

everyone agrees that aliens will *not* place burdens on employers or society when they are no longer necessary, a strategem as fallacious as it is callous.

A View of the OSHA Law's Impact

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In 1970 a bipartisan Congress overwhelmingly passed the Occupational Safety and Health Act, giving OSHA a clear mandate to provide a "safe and healthy workplace free from recognized hazards." New standards were to be set to avoid any "material impairment of health or functional capacity" over the working life. In a country with 14,000 job deaths, over 2 million disabling injuries, and 390,000 occupational diseases annually, these were clearly ambitious goals. The act also ordered a National Commission to study workmen's compensation laws and recommend improvements; this commission study and report in 1972 has led to major legislative changes in almost every state.

In spite of the high goals set for it, OSHA began operation with very little data on serious injuries and illnesses or what causes them, standards unrelated to many serious hazards, and no experience in operating the elaborate standard-setting and enforcement structure provided under the act. Just obtaining sufficient qualified personnel, especially in occupational health, has been a major effort. The handling of state enforcement plans (more than 20 were approved) was another grey area. None of these issues had been thoroughly debated or explored prior to OSHA's birth, and the agency immediately came under the gun of small business attacks on its standards and inspection activities.

In a few years, OSHA has assembled a crew of 1400 compliance officers (400 of them industrial hygienists) operating from over 50 field offices. In 1978 the agency carried out over 55,000 workplace inspections[1] with 34,000 serious violations found. More than 20,000 inspections had union "walkaround" representatives and 20,000 were done in response to employee complaints, indicating broad use of worker rights. Another 150,000 inspections were done by over 1000 inspectors working for approved state programs. While OSHA penalties usually are only a few hundred dollars even for serious violations, many engineering controls to correct violations cost tens of thousands of dollars, e.g., dust control systems, noise enclosures, ventilation, electrical changes. Yet, in

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[1] Data from OSHA Management Information System.

90 percent of the OSHA citations, employers are agreeing to correct hazards voluntarily without contesting the citation.

In its standard-setting activity, OSHA has managed to promulgate standards for asbestos, acrylonitrile, vinyl chloride, arsenic, and coke ovens, all in effect. More recent standards on benzene, lead, and cotton dust are still in court. While organized labor has generally backed OSHA and many large firms have not been in active opposition, almost all small businessmen oppose OSHA. They have charged that OSHA has had no impact on injury rates and forces compliance with irrelevant standards. Congressional spokesmen for these interests began a "Stop OSHA" movement and each year have sponsored legislation to reduce severely OSHA's coverage of small businesses. In response to the *Barlow* case and other court decisions, a small but growing number of firms are requesting search warrants for any OSHA inspection or are contesting citations once received.

Since 1977 the Carter Administration has tried to respond to OSHA's critics by revoking so-called "nitpicking" standards (most of them hardly used) and by appointing an Interagency Task Force to review OSHA's effectiveness.[2] However, the critics have not been satisfied, and this year Republican Senator Richard Schweiker's appropriation bill amendment passed, providing that OSHA cannot conduct random inspections in low-hazard workplaces with less than 10 employees until the end of the fiscal year. Schweiker has just introduced a more severely restrictive bill, co-sponsored, ironically, by Democrat Harrison Williams, main author of the OSHA act. This bill would exempt all employers with low injuries from scheduled inspections the next year.

This turnaround in congressional feeling toward OSHA is still contained. OSHA has had enough funding to support personnel increases and innovative projects like the $11 million "New Directions" program to develop improved worker training and action on safety and health problems, not only in universities but in trade unions and trade associations. Yet the handwriting is on the wall. Year after year there has been a lack of hard evidence that OSHA is paying off. Congressmen without ammunition to respond to anti-OSHA propaganda are caving in to business pressures.

This paper discusses some OSHA impact in terms of available injury and disease data and reviews some costs and benefits and prospects for future OSHA actions.

[2] Interagency Task Force on Occupational Safety and Health, *Making Prevention Pay* (1979). The report has some useful ideas and a number of criticisms about OSHA.

OSHA's Impact—Measuring Injury and Fatality Rates

Problems with BLS Injury and Fatality Reporting

To measure impact and direct resources, OSHA needs a data system on injuries, illnesses, and fatalities that is complete, is establishment-based, has causal information, and distinguishes injuries by severity. The existing BLS injury and illness survey does not meet most of the above requirements. Its Supplementary Data System using state worker's compensation data has promise, but is based on every uneven state statistical programs.

The reasons why the existing BLS system does particularly poorly in reporting workplace fatalities, serious injuries, or occupational diseases need investigation. For example, fatality figures look like a seesaw: 1973—5340; 1976—3940; 1977—4760; 1978—4590.[3] These changes seem unrelated to employment trends, short-term disasters, or any other plausible explanation. Most important, the BLS figures are a little more than a third of the National Safety Council figure of 12,500–13,000 annual workplace deaths.[4] If the reader prefers, a summation of state worker's compensation paid on death claims totals 8000 or more, twice as many as BLS data record.

Why is the BLS capturing so few cases? Some explanations are found in a study by Wisconsin safety researchers,[5] who examined four data sources for Wisconsin work deaths: OSHA injury logs, OSHA required fatality reports to area offices, worker's compensation claims, and state health department mortality reports (used with other sources by the National Safety Council).

During the 1973–75 period studied, 486 Wisconsin work death claims were filed with worker's compensation, 304 were reported in OSHA logs, but only 219 were reported to the OSHA area office. In fact, there was only a 50 percent overlap between data sources, so that all of them missed substantial numbers of work-related deaths. For example, of 235 cases reported by at least one data source in 1974, only 36 cases were reported by all four. Only half the cases reported to worker's compensation were reported in OSHA logs; of these 77 reported on OSHA logs, only 45 were reported to the OSHA area office. Agricultural fatalities, 10 percent of total workplace deaths, were almost completely missed by all sources except the state health department. Since heart attacks and motor vehicle deaths made up almost a third of fatalities, it is clear

[3] Bureau of Labor Statistics Fatality Statistics, BNA *OSHA Reporter*.

[4] National Safety Council, *Accident Facts* (1978).

[5] Mark Gottlieb et al., "Variability in Work Injury Reporting—A Study of Occupational Related Fatalities."

that judgment calls were involved. However, the Wisconsin study indicates serious underreporting to OSHA and probably understates the problem for other states with less complete data systems. Since the National Safety Council reports the largest number of deaths, it would seem important to compare the NSC and BLS results for a single state and determine the cause of the discrepancy and how it can be corrected.

Similar deficiencies may exist for employer reporting of work-related injuries—the basis for BLS injury incidence and lost-workday rates. Employers must make a number of difficult decisions: Is the injury work-related? Is there lost time or restriction of work? Does it require medical care beyond first aid? In many cases differential benefits between worker's compensation and sickness insurance or the employer's fear of admitting compensation liability will influence reporting.

In addition, the end-of-year summary requires employers to calculate the *average* number of employees working during the year and total hours worked. These are the data on which BLS injury and lost-workday case rates are based. In firms with high turnover, variable hours, and poor bookkeeping, the chances for large error are enormous. A 1964 study of Ohio and Michigan construction firms[6] doing the same kind of injury reporting found major errors in calculating average employment and total hours. As a result, the reported injury frequency rates were as much as 10 times higher or lower than the true rates. Are today's small firms having the same difficulties? This question needs investigation.

Another factor is worker's compensation benefits. A few years ago workers were opting to take sick leave or use private sickness policies because of low compensation rates. Now that most states have built-in inflation factors in their worker compensation laws, rates have risen up to 300 percent in the last 10 years and are above most private disability policies. This probably had a major effect in increasing the reporting of lost-workday cases during OSHA's history. Finally, with increasing conflict over compensation for degenerative conditions and occupational disease, and employee access to injury logs, many employers may take a hard position against reporting back injuries, hernias, tendonitis, hearing loss, or other cases where there is a possible claim.

Some Measures of Effectiveness

Despite the above problems, there may be some valid measures of OSHA's impact from injury rates. In a thoughtful study of OSHA,

[6] Paul Sands, "Accident Prevention and Governmental Control in the Construction Industries of Michigan and Ohio" (Ph.D. dissertation, Mcihigan State University, 1964), pp. 75–85.

Mendeloff[7] developed a regression model of injury incidence by accident type, using California data where history of reporting is good and some causal data are available. His model showed that, over the period of OSHA, "caught in or between" injuries were 4–6 percent below the predicted level, whereas "overexertion" (back, joint, tendon) injuries were above the predicted level. He concluded that since the "caught in or between" area is well covered by machine-guarding standards compared to the "overexertion" area, where there are no standards, the difference is probably due to Cal-OSHA enforcement. Unfortunately, Mendeloff's model could not control for some of the awareness factors and the rise in worker's compensation rates, which would have influenced "overexertion" reporting. He also studied California work fatalities and concluded that deaths from equipment rollovers, electrocutions, and explosions—all likely to be controlled by existing standards —were 30–50 deaths annually below the predicted level. Recent reports show 648 California work-related deaths in 1976, the lowest figure since 1963. Standards-related deaths, according to California statistics officials, totalled 248, a steady decline since 1971.[8] The remainder were deaths uncovered by workplace standards like heart attacks, assaults, plane crashes, and highway deaths. Again, a look at the completeness of California's fatality reporting is needed before conclusions can be drawn.

Another California example cited by Cal-OSHA[9] is the construction industry, where lost-time injuries from target hazards covered by standards like scaffolding, falls, cave-ins, and vehicle rollovers all have declined. Other suggestive evidence is a 30 percent decline in reportable case rates in construction and 30–40 percent declines in worker's compensation between 1977 and 1979 for several areas of heavy construction such as steel erection, roofing, carpentry, and concrete work. These data are quite partial and need further analysis. However, it appears that OSHA's impact can be studied usefully by breaking down aggregate data and using a variety of data sources.

Occupational Diseases

Because of the long latency periods, lack of worker awareness, and multiple causation, the problem of counting occupational diseases is immense. Barth[10] has thoroughly discussed the shaky foundation of the "100,000 deaths from occupational disease" guestimate enshrined in the

[7] John Mendeloff, *Regulating Safety* (Cambridge, MA: MIT Press, 1979).

[8] *Cal-OSHA Reporter,* June 1, 1979.

[9] *Cal-OSHA Reporter,* October 31, 1977.

[10] Peter Barth, *Worker's Compensation and Work-Related Illnesses and Diseases,* U.S. Department of Labor, October 1976, draft, pp. 26–48.

occupational health lexicon and also outlined the major problem of underreporting of diseases in OSHA logs and for worker's compensation purposes.

In addition to the death data, good morbidity data are very important. The numbers of occupational skin diseases, upper respiratory conditions, asthma, liver and kidney problems, eye irritations, and high-frequency hearing losses are signals of excessive exposures to toxic agents and probably represent substantial disability to affected workers. These risks should be included in any justification for standards or targeting of health inspections. Yet in one study, Discher[11] found that only 3 percent of the occupational impairments documented in a medical examination were reported on OSHA logs.

Another problem is seen in attempts to extrapolate disease risks from a given population to larger groups. One example is the recent Department of Labor occupational disease study done for the Senate,[12] which attempts to determine the total death risks from certain toxic substances, e.g., asbestos, cadmium, silica, by applying relative risks from epidemiological studies to a number of exposed workers, based on NIOSH estimates. Unfortunately, the NIOSH estimates are based on walkthrough surveys (the NOHS survey) in which toxic materials were identified and all workers within a certain distance were counted. There is no information on how the materials are used, what hygiene controls were applied, or whether the workers counted actually worked with the substances. The result is a substantially exaggerated "exposed worker" figure. Finally, there is a problem in determining relative risks since some of the epidemiological studies had no information on levels of exposure and there is no assurance that the case group exposure, sometimes 20–30 years in the past, is the same as the current exposed group.

OSHA's Costs and Benefits

A major criticism of OSHA has been its alleged onerous costs. Industry has raised the issue in standards hearings, employer contests, and politically. Not only does OSHA impose high costs, say critics, but it provides few or no benefits. Opponents of this reasoning have argued that a select minority of American workers bear risks so that the general public can consume. To balance worker protection against costs to the consuming public is immoral and inequitable.[13]

[11] David Discher et al. *Pilot Study for Development of an Occupational Disease Surveillance Method*, HEW Publication No (NIOSH) 75-162 (Rockville, MD: NIOSH, May 1975).

[12] U.S. Department of Labor, ASPER.

[13] Nicholas Ashford, *Crisis in the Workplace: Occupational Disease and Injury* (Cambridge, MA: MIT Press, 1976), pp. 359–60.

While some courts have required OSHA to consider economic feasibility, a recent D.C. Circuit Court decision on the cotton dust standard clearly states that economic feasibility tests were purposefully left out of the OSHA law:

> In the Clean Air Act, for example, Congress required the Environmental Protection Agency to perform a "cost-benefit analysis". . . Some Congressional acts require a showing of "unreasonable risk" prior to regulation. The legislative histories of these acts have led the Courts to construe this provision to require regulatory agencies to balance costs and benefits of proposed action. In the OSH Act, in contrast, Congress itself struck the balance between costs and benefits in the mandate to the agency. Section 6(b)(5) unequivocally mandates OSHA to: "set the standard which most adequately assures, to the extent feasible, on the basis of the best available evidence, that no employee will suffer material impairment of health or functional capacity." In contrast to the Acts for which Congress contemplated a cost-benefit requirement, the legislative history of the OSH Act contains no reference of this kind of economic analysis.[14]

This view contrasts with the Fifth Circuit view in the benzene case now before the Supreme Court. If the D.C. Circuit view prevails, it will greatly assist OSHA in sustaining other urgent but costly health standards.

OSHA Costs

Regardless of the legal position, the cost issue is of practical importance. How do OSHA's costs impact on the economy or individual employers? What are the corresponding benefits? OSHA's overall costs appear to have been greatly exaggerated. In a special study of the impact of environmental costs on growth,[15] Brookings economist Edward Denison found that all environmental impacts from 1967 had lowered productivity 1.8 percent by 1975 and the trend was rising. However, only a quarter of this, or .42 percent, was due to health and safety regulations. Further, .09 percent was due to auto safety, .24 percent to mine safety, and only .09 of total productivity loss was due to OSHA. As Denison points out, this was a measure of gross cost alone, and he

[14] *Marshall* v. *AFL-CIO, Marshall* v. *Cotton Warehouse Association, et al.*, U.S. Court of Appeals, D.C. Circuit, October 24, 1979, p. 55.

[15] Edward Denison, "Effects of Selected Changes in the Institutional and Human Environment Upon Output Per Unit of Input," *Survey of Current Business* (January 1978), pp. 21–44.

did not attempt to measure the benefits resulting from the OSHA costs measured.

Another recent source is a study by the Business Roundtable[16] which measured the incremental costs of environmental regulation by 48 companies making up over 25 percent of the total manufacturing sector with over $25.8 billion in capital expenditures and $16.6 billion in corporate after-tax profits. These companies reported that the added cost of business due to six regulatory agencies (EPA, OSHA, CPSC, etc.) in 1977 was $2.7 billion. The costs of EPA compliance accounted for 70 percent of the total which the industry estimates thus far have not caused significant economic problems. Also, as Nick Ashford and others have argued,[17] frequently OSHA standards speed up the normal replacement cycles and cause the industry to install a possibly more productive and competitive technology than they were using previously. Costs related to OSHA were $184 million, or 7 percent of the total. The companies also reported that most of their OSHA expense was incurred in earlier years. The McGraw-Hill survey of safety and health expenditures shows planned U.S. business spending of $4.9 billion in 1979, as compared with $2.5 billion in 1972. This rise is large, but not much more than the rise in producer prices—and we don't know how much was actually spent.

There still are questions of long-term economic impacts, effects on worker productivity, and employment effects on industries that have refitted or changed production methods to comply with OSHA. Also, given the standard, how long does it take to get it fully enforced in all firms? More detailed impact studies should be done for individual firms applying new standards or complying with a controversial standard, e.g., noise control, ventilation.

The impression that OSHA costs have not been onerous is also confirmed by a number of cases cited by Basil Whiting,[18] OSHA Deputy Assistant Secretary, where the costs of industry compliance with new health standards—vinyl chloride, acrylonitrile, beryllium—turn out to be far lower than initial projections. It should be noted that in most of these cases there has not been a thorough follow-up study, looking at both economic and health impacts, after the standard has taken full effect. These studies certainly are needed.

Because of the uncertain knowledge of firms faced with expensive

[16] The Business Roundtable, "Cost of Governmental Regulation Study," March 1979.

[17] Ashford.

[18] Basil Whiting, Jr., "Regulatory Reform and OSHA: Fads and Realities," *Labor Law Journal* (August 1979), p. 514.

compliance, there should also be an OSHA hot-line and clearinghouse of information on technical and economic feasibility. Case studies of successful compliance efforts could be obtained from federal and state compliance officers, state consultants, and NIOSH, and would greatly assist OSHA officers in informal conferences with employers and in handling contested cases. They also could be used by employers and unions dealing with specific compliance complaints.

OSHA Benefits

If we ask workers in hazardous jobs about the impact of OSHA and its benefits, there will be no question. Improvements in ventilation, noise reduction, machine-guarding, and management's willingness to correct hazards are much better than before OSHA. For the first time workers can get information on toxic substances. Yet this anecdotal evidence has little standing. Some very partial data on OSHA's possible injury-rate impact were presented in the previous section. Mendeloff himself calculated a possible benefit of $380 million from injury reduction, projected nationally.[19] A recent report estimated OSHA's injury- and illness-reduction benefits at over $5 billion, exceeding current industry costs for safety and health.[20]

However, we can't even quantify OSHA's impact in most areas, let alone attach benefits to it. To go further in measuring OSHA's benefits, it is necessary to have much more micro research into injury-rate data and case studies of particular firms, industries, and standards to build the base for global estimates.

Maximizing OSHA's Impact

The foregoing discussion indicates that OSHA has not had the exaggerated cost impact its critics have charged and, on balance, has had some measurable positive impacts. Yet it is important and possible for OSHA to produce more tangible impacts on the injury and illness problem. Several areas need action.

Injury and fatality data are being used widely by OSHA's critics to show negative effects. OSHA and BLS should quickly investigate the anomalies mentioned earlier and also determine to what extent outside factors such as worker's compensation improvements are causing the stability or rise in injury rates and how to obtain a rate that truly reflects changes in job hazards.

Targeting was emphasized by both Mendeloff and the Task Force.

[19] Mendeloff.

[20] Mark Green and Norman Waitzman, *Business War on the Law* (Washington: Ralph Nader, 1979), p. 81.

As nationwide surveys show,[21] only 20–25 percent of all workers are exposed to serious safety and health hazards and only 16 percent of the workers surveyed had experienced an injury or illness in the past three years. Only 7 percent felt their injury or illness was a serious problem. The same concentration is seen on the employer side. In the entire country, around 125,000 employers with more than 20 employees have above-average injury rates. In the State of Washington, 10,000 employers have almost all the injuries. Even allowing for some statistical turnover of employers from year to year, it is clear that safety and health risks are a priority issue for a minority of employees and employers. OSHA should be directing its entire focus at this group. For inspection, OSHA needs an establishment-based Worst-First list, based on BLS, state worker's compensation data, or, in some cases, state fund experience adjustment data.

Once high-hazard employers are identified, their injury and illness experience should be analyzed and related to needed control measures. Where codes are lacking, general duty guidelines should be made available. The targeting emphasis should not stop with inspections, but should be incorporated into the focus of OSHA-funded state consultation programs and "New Directions" education programs.

Many of the injuries (back injuries, tendonitis) that are increasing most rapidly in number are not covered by standards. With a decline in physical conditioning and more women in the labor force, many tools, machines, work procedures, and lifting customs are increasingly hazardous. OSHA now has no standards in these areas, even though some OSHA offices have been citing for job-design problems in cases where large numbers of "carpal tunnel syndrome" (a wrist nerve strain) are seen. OSHA, for example, can

> Establish general duty guidelines and practical control measures for citing the most frequent stress problems, e.g., excessive lifting, job designs which require twisting under load, improperly designed tools, lack of chairs and standing for long periods on hard floor surfaces.

Many other issues could be discussed. OSHA needs to expand the use of general duty citations to overcome the delay in standard-setting. Labor Department lawyers and Review Commission judges see the use of general duty as a litigation problem, but 90 percent of OSHA citations are settled in the field and a strongly based general duty clause is worth as much as a standard.

[21] R. Quinn and G. Stains, *The 1977 Quality of Employment Survey* (Ann Arbor: Survey Research Center, University of Michigan, 1977).

Safe and Healthful Working Conditions: The Case of Vinyl Chloride

CHARLES R. PERRY
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The Occupational Safety and Health Act was passed less than ten years ago with an apparent ease and unanimity uncharacteristic of major labor legislation in this country. The Occupational Safety and Health Administration created by the act, however, has not enjoyed the blessings of its noble birthright. Indeed, OSHA, almost from its inception, has been the target of public criticism and private conspiracy typically reserved for the mad or illegitimate progeny of royalty.

The fall from grace of the highborn is fascinating to observe and intriguing to explain. The "downfall" of OSHA began with the requirement of "inflation impact statements" for major regulatory actions and has been carried on in the "regulatory reform" and "regulatory analysis" movements. These movements are the product of a perception that OSHA, like an unwise monarch, is imposing substantial and oppressive new taxes to support personal adventures which provide or promise little tangible benefit to an already overtaxed populace which, perforce, must indulge the king's whims.

There can be no doubt that OSHA regulations impose a tax on the producers and consumers of American-made goods and services. There is, however, considerable latitude for debate over the magnitude of that tax, both in absolute terms and in relation to the benefits purchased by the tax. This debate over the absolute and relative impact of OSHA regulation on productivity and cost may never be subject to definitive resolution, but it should be possible to gain some perspective on the issue by analysis of the results of specific OSHA regulatory initiatives. The OSHA standard governing worker exposure to vinyl chloride provides an excellent vehicle for such an analysis because it was one of the first major new health standards promulgated by OSHA and one whose impact was concentrated in a single, easily studied industry.

The Feasibility of Compliance

The battle over the permanent standard for permissible levels of

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worker exposure to vinyl chloride was beset with the predictions of dire economic consequences which have become commonplace in the standard-setting process. Such consequences clearly have not come to pass, a fact which prompted some to conclude that the industry "cried wolf." [1] That conclusion, strictly speaking, is not justified. But, justified or unjustified, it has had the effect of tempering the industry response to other proposed regulations.

The permanent standard initially proposed by OSHA called for a "no detectable" exposure level. The industry responded that such a standard "is not technologically feasible and, if adopted, would shut down the industry." [2] Interestingly, this claim was supported by the conclusion of a feasibility study commissioned by OSHA.[3] The consequences of a possible industry shutdown were detailed in a separate study which indicated that $65 to $90 billion in GNP and 1.7 to 2.2 million jobs were dependent on the production of PVC resins.[4]

The industry argued for a standard which would set a time-weighted exposure limit of 10 ppm for polyvinyl chloride resin plants and 5 ppm for vinyl chloride monomer plants,[5] based on feasibility considerations. Organized labor endorsed the "no detectable level" standard and disputed the infeasibility of such a standard. The results of its own feasibility study forced OSHA to withdraw from the no-detectable-level standard and to adopt in its place a 1 ppm standard. The industry challenged both the necessity for and the feasibility of this stringent limit in the courts with a notable lack of success, particularly since the court of appeals specifically ruled that "the secretary is not restricted to the status quo. He may raise standards which require improvements in existing technologies or which require the development of new technology . . . ."[6]

The actual economic consequences of this technology-forcing standard for the viability of PVC plants and the availability of jobs in those plants were remarkably modest. A few older PVC plants were shut down, in

[1] Steven Rattner, "Did Industry Cry Wolf? Polyvinyl Chloride Health Rules Can Be Met," *New York Times*, December 28, 1975, p. C-5.

[2] "Post-Hearing Memorandum of the Society of the Plastics Industry, Inc.—Proposed Findings of Fact and Conclusions Supported by the Record" (Memorandum presented to the U.S. Department of Labor, Occupational Safety and Health Administration, in the matter of proposed permanent standard for occupational exposure to vinyl chloride, Washington, D.C., August 22, 1974), p. 5.

[3] "Showdown on Vinyl Plant Rule Presages Shutdowns," *Chemical Week*, September 25, 1974, p. 15.

[4] Arthur D. Little, Inc., *United States Polyvinyl Chloride Industry Impact Analysis* (Cambridge, MA: Arthur D. Little, Inc., 1974), p. 5.

[5] "Showdown on Vinyl Plant Rule Presages Shutdowns," p. 16.

[6] Brief for SPI at 39, *Society of the Plastics Industry, Inc.* v. *Occupational Safety and Health Administration*, 509 F.2d 1309 (2d Cir. 1975).

whole or substantial part, because of the projected cost of bringing those facilities into compliance with the requirements of the standard. These shutdowns resulted in the loss of about 325 million pounds of production capacity and 375 jobs—approximately 5 percent of the industry total. Much of the credit for the modesty of these adverse effects now is attributed by the industry to the reasonableness of the standard itself, as is evident in the following confidential statement of one company representative:

> The OSHA-VCM program was, in the end, a real success story for both OSHA and the VCM-PVB industry. By fighting the "absolute zero" concept originally proposed, industry achieved a more practical 1 ppm standard that allowed it to continue to operate and grow. And, apparently the standard has protected the workers . . . so at least in this case we have a government regulation that has been practical and beneficial to all concerned.

The Cost of Compliance

The vinyl chloride standard may not have been catastrophic for the industry, but it was expensive. The first public estimate of the cost of compliance with the 1 ppm standard indicated that the industry would have to invest $200 million (excluding development costs) in immediate process improvements to satisfy the requirements of the standard.[7] The VCM-PVC industry actually invested about $130 million in such process improvements to bring existing production facilities into compliance with the standard. More than 90 percent of this total was accounted for by PVC plants which employ only about 75 percent of the workers in the industry.

The apparent $70 million cost "saving" recorded by the industry is an attractive focus of attention but in no way offsets the $130 million actually invested in compliance with the standard. It is difficult to identify the sources of the saving without knowledge of the basis of the original $200 million cost estimate, but three possibilities deserve note. First, part of the savings may be attributable to the decision to close rather than modify some older PVC plants. Assuming that these plants had the most acute and expensive compliance problems, they may well have accounted for as much as 10 percent of estimated compliance cost, although they represented only 5 percent of PVC capacity, and for as much as $20 million of the $70 million saving. Second, part of the savings may have stemmed from miscalculation of the significance of the relative

[7] "PVC Plants Are Ready to Pass First Test," *Chemical Week*, May 7, 1975, p. 49.

cost advantage of VCM facilities in complying with the standard. For example, there was an almost $4000-per-worker difference between average compliance cost for PVC and for VCM-PVC plants which, if not accounted for in industry cost projections, would have added another $25 million to those estimates. Finally, the industry was able to find more efficient means to achieve compliance than were foreseen at the time the standard was adopted. The largest producer in the industry reported it had been able to reduce its projected $42 million compliance by 10 to 15 percent through technological developments.[8] If other producers were able to realize similar economies, the total saving for the industry would have been another $25 million.

Compliance with the vinyl chloride standard entailed incremental operating as well as capital costs. Data on incremental operating costs are limited, but the data that are available suggest that compliance probably cost the industry close to $10 million per year or $100 million in present-value terms, assuming a 10 percent interest rate and infinite time horizon. Approximately 70 percent of this incremental operating cost was attributable to added activity and staff in two areas—exposure monitoring and equipment maintenance.

The incremental operating costs associated with compliance are noteworthy for three reasons. First, they are not included in public estimates of compliance costs. Second, they were sizable both in absolute amount and in relation to the capital costs of compliance. Finally, they appear to have been primarily a product of exposure control, per se, rather than the more peripheral requirements of the standard, such as record-keeping or medical surveillance.

The incremental capital and operating costs associated with compliance constitute the most visible dimension of the economic impact of regulation. A much more subtle and surprising economic impact of the vinyl chloride standard was a significant reduction in effective production capacity and output per man-hour in the industry.

Compliance with exposure limits set by the standard required substantial changes in work procedures in the industry. These changes resulted in less efficient utilization of existing equipment and manpower which lowered effective capacity by approximately 15 percent. The actual loss of product and productivity immediately after the standard became effective was slightly less than 15 percent because there was some temporary excess capacity in the industry. Over the longer run, however, the loss of product and productivity in then existing facilities

[8] "Goodrich Cuts Cost of Meeting VCM Limits," *Chemical Week*, December 10, 1975, p. 59.

has approached the full 15 percent for two reasons. First, industry sales generally have been capacity limited. Second, little progress has been made in eliminating the need for modified work procedures which limit capacity.

The Price of Compliance

There is every reason to expect that the compliance cost of regulation will be borne by the consuming public. This clearly appears to have been the case for the regulation of worker exposure to vinyl chloride. In the year following implementation of the standard, the price of PVC resins increased by two to three cents per pound. OSHA regulations appear to have accounted for approximately 20 percent of this price increase.

The incremental capital and operating costs for compliance with the vinyl chloride standard represent the equivalent of a $23 million increase in annual production cost. That $23 million, in turn, is the equivalent of a $3000 per year or $1.50 per hour wage premium for the approximately 7000 workers employed in the VCM-PVC industry. Assuming an average hourly compensation of $10 for those workers, the OSHA vinyl chloride standard mandated a 15 percent increase in effective wage rate in the industry. That 15 percent increase coupled with a 15 percent drop in productivity suggests that compliance results in a 35 percent increase in unit labor cost. Labor cost, however, is only a small percentage of total cost in the VCM-PVC industry and probably accounts for no more than 10 percent of total operating cost. Thus, OSHA regulation added no more than 3.5 percent to cost of PVC resins—about $.005 per pound. Assuming production from then existing facilities of 4.5 to 4.8 million pounds, the cost to consumers would be about $23 million per year.

It is highly unlikely that any industry will passively accept increases in wage rates and labor costs of the magnitude imposed by OSHA on the VCM-PVC industry, except in the short run. Over time, one must expect changes in basic patterns of resource use which permit a more efficient and less costly accommodation to the requirements of regulation. In this context, three possibilities deserve attention: (1) technological change, (2) economies of high safety, and (3) shock effects.

The development and application of labor-saving technology is the classic mode of industry adaptation to rising relative labor cost. The process improvements undertaken in immediate response to regulation clearly were not labor-saving in character. Subsequent process improvements instituted as old production capacity is replaced and new capacity added, however, generally have been labor-saving in character. Most notable among these process improvements has been the construction of

computer-controlled facilities which has enabled at least one firm to increase its production capacity by 10 percent with no change in total employment. The cost-savings resulting from this favorable productivity trend, however, have been far more modest than 10 percent due to the greater capital investment and the higher ratio of high-wage workers required by computer-controlled operations.

The possibility that a substantial increase in real wages will elicit a long-run increase in the productivity of labor is recognized in economic theory. This "economy of high wages" generally has been regarded as a phenomenon to be found in developing rather than mature economies. It is possible, however, that in an affluent society and economy such as ours, there are substantial "economies of high safety and low risk." The early experience of the industry provided little evidence to support the existence of such "economies of low risk." Subsequent experience provides little additional evidence that the "health premium" paid by the industry has yet significantly enhanced its ability to recruit or retain qualified labor or reduced the relative wage rates it must pay to do so. The possibilities of economies of low risk which are, in a broader sense, a basic economic justification for the OSHA regulatory effort remains an open question deserving of further research.

The possibility that a dramatic rise in wage rates and labor costs will elicit offsetting savings through more intensive efforts by management to control and reduce the nonlabor costs of production is also recognized in economic theory. The experience of the VCM-PVC industry provides some limited evidence of such a "shock effect." One effect of the standard was to encourage development of new technology to permit more complete reaction of VCM or recovery of unreacted VCM in the process of manufacturing PVC resins. The incentive for this effort was twofold: (1) to reduce the level of VCM emissions in plant, and (2) to reduce the potential level of VCM emissions from PVC resins at the fabrication stage in order to permit the purchasers of those resins to escape regulation. The industry response to these cost/sales incentives ranged from changes in reaction formula to development of new stripping technology and resulted in an increase of the overall reaction/recovery rate for VCM in the PVC industry by 3 to 5 percent. This improvement in raw material usage has produced cost savings for the industry that have grown in value over time as VCM prices have risen. Those cost savings, however, are not yet judged by the industry to be of sufficient magnitude to provide a competitive rate of return on the investment required to achieve the improvement in reaction/recovery rate.

The Divine Right of the King

The court test of the vinyl chloride standard confirmed that OSHA enjoyed almost unlimited taxing power in the exercise of its authority and responsibility to promulgate standards. The vinyl chloride standard itself represented a classic case in what can be characterized as a heavy-handed use of that power. The result was a substantial, multifaceted tax on the production of VCM and particularly PVC involving a one-time license tax (the incremental capital cost for old and new facilities), an annual operating tax (the incremental operating costs for old and new facilities), and a direct tax or tithe on output (the loss of production capacity). The net effect of these taxes has been a downward shift in the industry's production function for positive outputs (products) hopefully accompanied by a comparable downward shift in its production function for negative outputs (problems).

Is the King Insane?

There are many who would say that he is, but the vinyl chloride experience suggests the contrary. The tax imposed on the industry was substantial, if not staggering, in terms of its impact on effective unit labor costs; however, it was not lethal and even proved to be less than was predicted, at least with respect to the most visible regulatory tax—initial capital investment. Whether by accident or design, the taxes imposed on the industry has little obvious effect on either the price or availability of PVC resins. This "fortunate" result is not inevitable, but is not improbable in the case of a single regulation. The cumulative effects of multiple kingly mandates or mandates by multiple kings (OSHA and EPA) may be quite different but equally difficult to detect until or unless there is another "Chrysler crisis" or worse.

If Not Insane, Is the King Profligate?

The answer to this question depends strictly on viewpoint. The vinyl chloride standard was very conservative with respect to the level or risk assigned to workers, but equally liberal with respect to the level of cost assigned to the industry. The dramatic difference in the initial capital investment required to achieve compliance between the VCM and PVC segments of the industry at least suggests that OSHA may have been profligate in not adopting a two-tier standard. Similarly, the paucity of evidence of "economies of low risk" suggests that the industry in general may have been overtaxed in relation to the desires of its own current and prospective workers in whose name the tax was levied.

If the King It Not Insane or Profligate, Is He a Fool?

The answer to this question, again, is a matter of perspective. Politically/bureaucratically, it is difficult to fault OSHA's desire to probe the frontiers of feasibility as it did in the vinyl chloride standard. Economically, however, the taxes necessary to indulge that desire are open to serious question. At the present time, it is impossible to measure and difficult to predict the reduction in negative output resulting from the regulation of worker exposure to vinyl chloride. However, neither the historical nor the recent record of the industry offers solid evidence that the benefits of regulation will prove to be substantial. After 30 years of operation with worker exposure many times that mandated by the standard, fewer than 25 deaths from angiosarcoma of the liver were attributed to occupational exposure to vinyl chloride. Even more disturbing is the report from one industry source that the last confirmed case of angiosarcoma of the liver in the industry was discovered in early 1976, despite the fact that, during the 1974 crisis,

> . . . We observed workers contracting angiosarcoma only after 10 to 20 years of high exposure. So there were predictions that because of a latency period, no matter what [OSHA or the industry] did, cases of angiosarcoma might continue to surface at the rate of two or three a year for ten years or more.

Should the King Be Deposed for His Possible Economic Folly?

The answer to this question ultimately will depend on the willingness to pay a tax to insure ourselves against the risk of collective guilt for occupational injury or illness. To date that willingness has been strained but not broken, at least in part due to the intervention of the courts and the White House to restrain the king in the exercise of this power to tax. Perhaps this form of constitutional monarchy will suffice to serve the public interest in these inflationary times. Only time will tell, and there may be little of that left, given the mounting chant of "down with the king" and our tradition of changing rules if not rulers in the labor field every 12 years.

DISCUSSION

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Each of the papers in this session deals with the problems of governmental regulation. Martin and Miller's paper on "Regulating Alien Labor in Industrial Society" illustrates the complexity of regulating the flow of labor into this country. As they point out, regulation can be done by the employer as well as by government. It may be true, although in this area the data seem to be more opaque than usual, employers do open the labor market door for illegal immigrants but rely on the fear of the Immigration Service to ensure a docile workforce. However, such "regulations," at the fringes of illegality, are hardly of the same type and quality as would be present were the government to intervene to provide, say, some type of a guest-worker system. They reach the conclusion that the immediate impact of a large-scale guest-worker program would be more income inequality. One would have to pay more attention than they are able to do in this short paper to possible increases in productivity and effects on the capital/labor ratios before such conclusions can be assured.

The authors attempt to derive four lessons from the European experience. First, a substantial fraction of those admitted as temporary workers wind up as permanent residents. Second, the availability of aliens for low-paying jobs retards mechanization, restructuring, or exporting these jobs, promoting economic dualism and widening the wedge between good and bad jobs. This is not entirely convincing, especially if the alternative is to export the jobs entirely.

The third lesson is supposed to follow from the first two: If temporary workers turn into permanent residents, the authors ask, how fast should the guest be integrated into the larger society? Here, as in the fourth lesson which pertains to the impact of labor immigration on labor surplus, we are not taught any particular lessons. Instead, we are faced with very real questions that have to be answered. In general, the paper points to the intractability of some of the problems of alien labor. A feature of the industrial workplace which poses equally intractable problems is the whole business of industrial safety which is the concern

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of the other two papers on the panel. Richard Ginnold's paper on "The Impact of OSHA and Some Implications for Workers' Compensation Reform" and Charles R. Perry's paper on "Safe and Healthful Working Conditions: The Case of Vinyl Chloride" illuminate the debate that has been going on in this field for many years.

The decade of the 1970s began with great enthusiasm for using government regulations to correct perceived evils at the workplace. The Occupational Safety and Health Act (OSHA) was a typical piece of legislation designed to regulate working conditions to assure a safe and healthful place of work.

Economists have generally been skeptical about the efficacy of regulation. They argue that standards bear no relationship to hazards in a particular industry, yet compliance is mandatory regardless of costs. The argument is that regulations specify certain inputs rather than penalizing outcomes, and do not encourage firms to seek the most efficient methods of combatting injuries. Another set of arguments revolve around the contentions that standards are difficult to formulate; workplaces are diverse, inspections are necessarily few and far between, and consequently, there must be great losses of efficiency.

Yet, it is doubtful that the efficiency arguments were the persuasive ones that account for the changing climate discernible at the end of the 1970s. Legislation has been passed and more is pending to prohibit OSHA from inspecting small employers with good safety records. One proposal is to use the workers' compensation data system to decide which firms should be exempt and which should not. But such data are notoriously sparse and diverse. The U.S. Department of Labor has had a model data system for workers' compensation under consideration for the last five years but has done nothing to implement it.

Ginnold calls into question some of the deficiencies in the OSHA inspection targeting. He calls for an establishment-based "worst first" list, based on BLS data, workers' compensation data, or state fund experience adjustment data. There is no question that high-hazard employers ought to be identified. But it takes a combination of industrial and firm data to identify such firms. We need to know how badly firms are doing in relation to other firms with comparable experience, and we cannot know that unless we use either workers' compensation or standard industrial classification data.

Perry's paper on the case of vinyl chloride is an excellent analysis of some of the problems. We must keep emphasizing that the enforcement of standards has certain costs, and there simply is no way to avoid asking the question of whether the benefits are worth the cost. The

picture in vinyl chloride is not as bad as was first anticipated, in part because industry was successful in preventing more extreme standards from being adopted.

I believe Perry raises the correct questions about our willingness to pay a tax to insure ourselves against the risk of collective guilt for occupational injury and illness. Granted that it is most difficult to do the calculations, nonetheless we have to consider each of the questions Perry raises. The technical feasibility of a standard is one thing; the economic feasibility is something that will always be with us. The type of analysis that Perry brings to bear on the safe and healthful working conditions in the case of vinyl chloride needs to be repeated over and over again for each of the substances that are in question.

XIV. IRRA ANNUAL REPORTS

IRRA EXECUTIVE BOARD SPRING MEETING

April 25, 1979, St. Louis

The Executive Board met at 6:30 p.m. with President Jerome Rosow presiding. Attending were President-Elect Jack Barbash, Past President Charles Killingsworth, Secretary-Treasurer David Zimmerman, Editor Barbara Dennis, and Board members Bernard Anderson, Gladys Gershenfeld, Lois Rappaport, Markley Roberts, and Donald Wollett. Also attending were Michael Borus, James Crawford, Gladys Gruenberg, Richard Leone, Richard Miller, James Scoville, and Jack Stieber.

Secretary-Treasurer Zimmerman reviewed the Association's financial and membership situation for the period July 30, 1978 to March 31, 1979. He noted that receipts were $12,635 more than disbursements, and that we appear to be in good financial position. The 1979 Directory costs, while high, compare favorably with other Directory years, and it is probable that for the first time Directory costs can be paid from 1979 dues. He commented that it was a good idea to raise the dues the Directory year. Present membership is above 5,000 for the first time, indicating a steady increase. A concentrated membership promotion was made this winter.

Mr. Zimmerman also presented the following slate of officers for the 1979 fall election: President, Jack Barbash; President-Elect, Rudolph A. Oswald; Executive Board: Merlin P. Breaux and Donald H. Hoffman, Gladys W. Gruenberg and Emory F. Via, and Hervey A. Juris, Thomas A. Kochan, Collette H. Moser, and Ronald L. Oaxaca. The Board approved the following nominating committee members to select candidates for the 1980 election; Paul Yager (Chairman), Lois Gray, Everett Kassalow, James Kuhn, Richard Miller, Richard Prosten, and Donald Wasserman. The Board reaffirmed the policy that the president may appoint a member of the nominating committee if a vacancy should occur so that the committee is complete when it meets. A directive to the committee from the Board is that affirmative action policies play a prominent role

in the selection of candidates for president-elect. The chairman of the nominating committee has indicated that he would welcome member suggestions for candidates. There was a short discussion about competition for the office of president-elect. Although it was noted that some professional organizations have "opened up" their nominating procedure, the IRRA position traditionally has been that the nominating committee has spent considerable time in researching and selecting a worthy candidate, and that the nomination of two candidates is not advisable. No action was taken on this issue.

Editor Barbara Dennis reported that the Directory is progressing on schedule and soon will be at the printers. At least 6,000 copies will be printed, and a selling price for the volume will be established shortly. Richard Miller reported on the completion of the manuscript for the volume on Collective Bargaining. He briefly reviewed the history and noted that, after many obstacles were overcome, it is now ready for publication. After considerable discussion, a motion was passed to publish this volume as a one- or two-year research volume depending on publication costs and the financial position of the Association. Ms. Dennis reported that 5,500 books would cost $31,000 with a soft cover and $34,100 with a hard cover. A motion was approved to issue the book with a hard cover. The Board agreed with Ms. Dennis's suggestion to order the publication soon to get a firm and lower price. A general discussion of the value and use of the book pointed out several ways in which the volume could be promoted as a financial asset to the organization, including the possibility of a professional promotion campaign. It was suggested that the book be sold at a competitive price, but one that would benefit the Association financially.

Jack Stieber, editor of the 1981 research volume, "U.S. Industrial Relations 1950–1980: A Critical Assessment," reported that he intends to have the manuscript in the hands of the Association editor by December 1, 1980. The subject matter is not related to time as is the Collective Bargaining book so that it could be used as a 1982 volume, if necessary.

Jack Stieber was appointed to prepare a list of subjects discussed in the last ten IRRA volumes and bring a comprehensive list to the next meeting. From this list, suggestions will be made for future research-volume topics. Topics suggested by Board members were: collective bargaining—a philosophical view (hopes and expectations of "founding fathers"), changing labor force, pensions and benefits, innovative labor-management relations, and industrial relations practitioners in local chapters. Mr. Stieber would welcome additional suggestions from IRRA members.

Requests for affiliation from the Northeast Michigan (Saginaw), Southern Nevada (Las Vegas), and Chattanooga Local Chapters were approved by the Board. The Long Island chapter's request was also approved contingent on revision of its membership requirements to conform to the national IRRA by-laws. The president was asked to contact the New York Chapter promptly to notify them of the Board's contingent approval of the Long Island Chapter's request.

James Scoville reported that a proposal from the IRRA has been submitted to the National Science Foundation for travel funds to assist IRRA members attending the International Industrial Relations Association Fifth World Congress in Paris September 3 through 7, 1979. The Board recommended that, if funding was received from NSF, guidelines for allocating travel grants to individuals be developed, with the general provision that members who are actively participating in the Congress (i.e., presenting papers or serving as discussants) should be given priority in the selection process. Mr. Scoville agreed to obtain a list of such participants from the Rapporteurs of the Congress. If funds are remaining, other members attending the Congress would be eligible for assistance. It was noted that the NSF funding, if received, will be for travel assistance only and other NSF travel conditions must be met.

The program committee for the Atlanta meeting announced that it would meet the following day to plan the Atlanta sessions. James Crawford, local arrangements chairman for the Atlanta meeting, reported that the Hyatt Regency would be the headquarters hotel for the IRRA. Plans for the meeting will be announced in the fall Newsletter.

Richard Leone gave a progress report on the 1980 Spring Meeting planned for April 16 through 18 in Philadelphia.

Michael Borus presented a letter from the Center for Human Resource Research at Ohio State University offering the services of the Center to edit and publish the IRRA Newsletter on a trial basis. The intent of the offer is that, during this period, attempts would be made to expand the Newsletter along the general lines recommended by the IRRA Comprehensive Review Committee in its report. The Board noted that it was very important that the standards and philosophy of the IRRA be upheld in any changes in the Newsletter, and that the union "bug" must appear on the Newsletter. After some discussion, the Board agreed in principle to transfer responsibility for publication of the Newsletter from the National office in Madison to Ohio State University, where it would be published under Borus's supervision. A mutually agreeable transfer will be undertaken by the National office in Madison and Ohio State University. The Board also stipulated that the Newsletter editor will become

a nonvoting member of the Board, with the general content and policy of the Newsletter to be a subject of Board review. In addition, the Board directed that the president and/or secretary-treasurer of the Association should be consulted on the content of the Newsletter and should review the Newsletter before publication.

Secretary-Treasurer Zimmerman discussed the possibility of increasing the surety bonding of IRRA officers and staff members. The Board instructed him to increase the amounts as appropriate to achieve more complete coverage. Mr. Zimmerman also suggested that he continue to explore the possibility of liability insurance for the Association.

Mr. Zimmerman read a letter from Vernon Jensen, a Charter member of the Association, concerning a previous letter Professor Jensen had sent to the Association about which he felt that no action had been taken. Mr. Zimmerman was directed to write a letter to Professor Jensen and direct his attention to the minutes of the Chicago Executive Board meeting that stated what action was taken on his earlier letter.

It was noted that several requests had been received to make the entire report of the Comprehensive Review Committee available to IRRA members. After some discussion, a motion was unanimously passed to make the entire report available to any IRRA member upon request. A notice to that effect will be included in the fall Newsletter.

President Rosow announced that he had appointed a committee to review a draft of the Report of the National Commission on Employment and Unemployment Statistics. A request that the IRRA appoint a committee to review the report had been made to the Association by Sar Levitan, Chairman of the Commission. The members of the committee are Lee Hansen, Vernon Briggs, and Herbert Parnes. Each member wrote an individual report to Mr. Levitan expressing his personal comments on the Commission's report. The IRRA did not take an official Association position on the report. A clarification of the honorarium for editor of publications and secretary-treasurer was requested. A motion was passed that an honorarium for this year of $1,500 for the editor and $2,500 for the secretary-treasurer be paid. The honorarium policy will be reviewed by the Executive Board at its next meeting for future endorsement.

On the basis of a request by a past president of the Association, a motion was passed by the Executive Board authorizing the preparation of a document suitable for framing to be presented to all past presidents of the IRRA as an expression of the Association's appreciation for their services.

The meeting adjourned at 11:30 p.m.

IRRA EXECUTIVE BOARD ANNUAL MEETING

December 28, 1979, Atlanta

President Jerome Rosow opened the meeting. In attendance were Jack Barbash (President-Elect), Rudy Oswald (incoming President-Elect), David Zimmerman (Secretary-Treasurer), Barbara Dennis (Editor), Michael Borus and Kezia Sproat (Newsletter Co-editors), and the following Executive Board members: Bernard Anderson, Jean Boivin, Gladys Gershenfeld, Marcia Greenbaum, Robert Helsby, Raymond MacDonald, Jerome Mark, Lois Rappaport, Markley Roberts, Bernard Samoff, and Donald Vial. Also attending were James Crawford, Atlanta Local Arrangements Chairperson; Jack Stieber, 1981 Research Volume Editor; Walter Brauer, Denver Local Arrangements Chairperson; Edward Pereles and Richard Leone, Philadelphia Spring Meeting Local Arrangements staff; Conchita Poncini, International Industrial Relations Association staff member; and Betty Gulesserian, IRRA Executive Assistant. New Executive Board members Gladys Gruenberg, Donald Hoffman, Hervey Juris, and Thomas Kochan also were present at the meeting.

President Roscow welcomed the new members of the IRRA Executive Board.

Paul Yager presented the report of the IRRA Nominating Committee. The committee nominated Milton Derber for President-Elect of the Association and submitted a full slate of candidates for the next Executive Board election. The proposed candidates nominated by the committee were approved unanimously by the Executive Board.

Edward Pereles and Gladys Gershenfeld outlined plans for the 1980 Spring Meeting in Philadelphia. The registration fee will be $38, which will include two continental breakfasts and two luncheons. One session will be held in Congress Hall, which will be made available by the U.S. Park Service. A spouses' program is also planned for the meeting.

Secretary-Treasurer Zimmerman presented a report on the membership and finances of the Association. He noted that membership had held steady during the year despite the fact that there had not been a major promotion campaign because of the publication activities (publication of the *Directory* and the completion of the Collective Bargaining volume) of the Association. He also noted that there are 51 local IRRA chapters throughout the country.

With respect to finances, Mr. Zimmerman noted that there remained a small balance of receipts over disbursements for the year 1979 in contrast to 1972, the previous publication year for a *Directory,* when the

Association had a substantial deficit. However, he noted that the costs of Association activities, particularly publications, continued to rise steadily. The Association received a total of $15,000 in subsidies for the printing of the Collective Bargaining volume, which helped substantially toward its publication by the Association.

An extensive discussion of a membership dues increase took place. Secretary-Treasurer Zimmerman stated that a full analysis of the financial status of the Association in light of the *Directory* and the Collective Bargaining volume publication costs had not yet been undertaken, but that it was likely that a dues increase would be necessary. He suggested delaying final action until the April Executive Board meeting in Philadelphia. President Rosow pointed out that there is often very little money for promotions and for additional services to local chapters, and that mail costs as well as publication costs are increasing rapidly. He stated his strong support for a dues increase immediately. Bernard Anderson questioned the wisdom of frequent dues increases and asked whether cost-saving measures could be implemented instead. It was also noted that the auditor had repeatedly recommended that the Association establish reserves for the financing of life memberships, which has not been done to date. It was moved and seconded that the regular membership dues of the Association be increased to $30 (a $6 increase) beginning with the 1981 dues. The motion passed 11-4.

The Secretary-Treasurer announced that the Association had changed banks for convenience and that most of the Association's money had been transferred from savings accounts to money market certificates. He also noted that—in accordance with the previous directive of the Executive Board—IRRA office staff salaries and benefits had been increased to bring them more closely in line with salaries paid at the University of Wisconsin. Mr. Zimmerman also reported that the Secretary-Treasurer and the Editor, as well as all office staff who handle Association funds, have been bonded for $50,000.

Responding to a previous request of the Executive Board, Mr. Zimmerman reported that the Association probably would be required to incorporate in order to obtain liability insurance. He stated that he assumed that the Board would not be in favor of incorporation, and there was general agreement voiced by Board members. It was suggested that the matter of liability insurance be taken up by the IRRA legal counsel in the future.

Mr. Zimmerman also reported the result of his investigation of possibilities for providing plaques for previous IRRA presidents. Estimates for plaques range in the neighborhood of $30–$40 each, which would

mean a total cost for supplying them to all previous presidents of approximately $1,000. A motion not to provide plaques to previous presidents was approved by the Board. Bernard Anderson suggested some recognition for past presidents would be appropriate, and a motion was passed that certificates be prepared for all previous, present, and future IRRA presidents. Mr. Zimmerman was directed to investigate costs of this action.

Barbara Dennis presented the Editor's report. She noted that the Collective Bargaining volume was completed and would be distributed to the membership in February. She also stated that the $20 retail price of the book was established after a survey of prices on similar books published by both commercial houses and academic institutions. There was some discussion of providing special rates for additional copies for members, but no action was taken on this issue. The Executive Board also discussed whether the Collective Bargaining volume should be offered to members as a one-year or a two-year research volume. The two-year option had been proposed previously because of the high cost of publishing the volume. It was noted, however, that the $15,000 in subsidies provided to the Association had helped to defray the costs of publication, and the Board decided that the volume would be offered as a one-year (1980) research volume.

Jack Stieber, editor of the 1981 research volume, reported on the status of that work. The volume will be entitled *U.S. Industrial Relations: A Critical Assessment.* Mr. Stieber noted that the word "critical" is significant in the title and that he had asked the various authors to assess what is right and what is wrong with the current system, as well as to suggest changes.

Following a discussion of several possible topics for the 1982 research volume, the Board voted unanimously that the subject of the volume would be "A Review of the Industrial Relations Research in the 1970s." Thomas Kochan was proposed as the chairperson of the editorial board for the volume, and he agreed to take on the responsibility.

Michael Borus reported on the status of the IRRA Newsletter in its first year under an arrangement in which the Newsletter would be published at Ohio State University. Mr. Borus submitted a proposal to the Board that the Newsletter accept classified ads, for a modest charge, for open employment positions in the industrial relations field. After extensive discussion, which centered around the possibility of a deluge of ads being received, the possibility that the ads would be "stale" since the Newsletter is published irregularly, and the question of maintaining IRRA's nonprofit status if ads were solicited, the Board approved a

motion to adopt the principle of advertising for employment positions in the Newsletter and to authorize the Newsletter editors to accept ads from prospective employers on an experimental basis for one year, beginning in May 1980, with a reasonable price for the ads to be established by the editors. Following the one-year period, the Board would review the experience. The motion passed 12-3.

President-Elect Jack Barbash reported on the Fifth World Congress of the International Industrial Relations Association in Paris in September 1979. Conchita Poncini also spoke briefly about the U.S. representation at the meeting, which was slightly below average with approximately 30 American representatives attending. She also noted that the next IIRA congresses would be held in Japan in 1982 and in Austria in 1985. Ms. Poncini said that there may be some subsidies available for those attending the meetings, although this was uncertain. It was suggested that the Association again attempt to secure travel support for congress participation from the National Science Foundation, as was done for the Paris meetings, and that this activity begin in 1980.

Mr. Barbash also presented a report on the 1980 Annual Meeting in Denver in September. The invited session topics approved by the IRRA Program Committee were presented to the Executive Board. With regard to the Contributed Papers sessions, the Board decided that specific topics for the sessions would be designated after the submission of the papers; that full papers would be required, rather than abstracts as was done for the last meeting; and that the review and selection by panel members would be anonymous, with authors' names deleted before the papers were sent to the panel for review.

No local chapter requests for affiliation with the National IRRA have been received.

Invitations for the Spring 1981 meeting were received from the West Virginia and Hawaii chapters. The Board unanimously accepted the invitation from the West Virginia chapter, and the 1981 Spring Meeting will be held in Huntington.

With respect to new business, President Rosow stated that Frederick Livingston would be resigning as IRRA legal counsel in the next year, and he asked for suggestions for a new legal counsel for the Association. Suggestions should be sent to the incoming president, Jack Barbash.

The Executive Board approved honorariums of $3,000 for Secretary-Treasurer Zimmerman and $2,500 for Editor Dennis.

Jack Barbash reported on his plans to reinstate a past practice of the Association of holding seminars, in conjunction with Industrial Relations centers, on IR as a discipline and on the teaching of Industrial

Relations. These seminars would be held on a regional basis, and Mr. Barbash reported that he had received an enthusiastic response to the idea from some IR center directors. He will solicit further expressions of interest from universities.

Executive Board members were urged to make themselves available to address local chapter meetings in their areas as a way of fostering better relations between the National Association and local chapters. A list of names and addresses of Board members will be sent to each local chapter president in the near future.

Thomas Kochan gave a brief report on the work he is doing at the Department of Labor to develop a research agenda in the industrial relations field to guide future policy in this area.

The meeting was adjourned at 11 p.m.

IRRA GENERAL MEMBERSHIP MEETING

December 30, 1979, Atlanta

President Jerome Rosow opened the membership meeting at 4:30 p.m. Secretary-Treasurer David Zimmerman presented the membership and financial report of the Association. He noted that it had been a productive year for the Association with the publication of both the IRRA *Directory* and the Collective Bargaining volume. He reported that membership had remained steady in the Association despite the fact that no major promotional campaign had been undertaken because of the publication activities. He also reported that the financial situation of the Association was considerably better than it had been after the last year (1972) in which the *Directory* had been published. It appears that the Association will not have a deficit because of the publication of the *Directory,* as has been the case in the past. However, because of the increasing costs of publication and mailing, as well as the need to engage in further promotional activities and local chapter support, the Executive Board approved, at its meeting the previous night, an increase in regular membership dues from $24 to $30, effective in 1981.

Editor Barbara Dennis presented the publications report. She noted that the Collective Bargaining volume had been printed and will be distributed to members in February 1980. She reported that because part of the costs of publishing the Collective Bargaining volume were defrayed with the help of $15,000 in subsidies, the Executive Board had decided that it would constitute a one-year (1980) research volume rather than a two-year volume as had been suggested previously. The

1981 research volume will be edited by Jack Stieber and will be entitled *U.S. Industrial Relations: A Critical Appraisal.* Ms. Dennis also reported that the Executive Board had decided that the 1982 IRRA research volume will be on the subject of IR research in the 1970s. Thomas Kochan has agreed to serve as chairperson of the editorial board for this volume.

It was reported that the Executive Board had approved a proposal to accept ads for open positions in the industrial relations field in the IRRA Newsletter on a one-year experimental basis. The Executive Board would then review the experience with the placement of employment ads. The charge on the ads would be established by the Newsletter co-editors, Michael Borus and Kezia Sproat. A member noted that the Academy of Management has a job roster which is published twice a year and that the Association should consider publishing the ads frequently so that they would be timely.

President Rosow announced that the 1980 Spring Meeting in Philadelphia was in the final stages of planning, and he urged all IRRA members to attend. The preregistration fee for the Philadelphia meeting will be $38, which includes two continental breakfasts and two luncheons. An extensive program for spouses is also planned for the Philadelphia meeting. President Rosow also announced that the Executive Board had approved West Virginia as the local chapter to host the 1981 Spring Meeting. The meeting will be held in Huntington.

Mr. Zimmerman reported that the members of the IRRA Executive Board will be available to serve as speakers at local chapter meetings and that a list of all members of the Board will be circulated to local chapter officials. Mr. Zimmerman also noted that he will circulate a memo to local chapter presidents asking for their ideas on local chapter promotional activities, meeting formats and topics, and other suggestions for local chapter activities. He will then disseminate this material to all local chapter presidents. He also noted that there will be another local chapter officers' luncheon at the Philadelphia Spring Meeting to continue the discussion on local chapter-national Association cooperation.

A member asked about the relationship between the IRRA and the ASSA in the selection of meeting sites and what the policy is with regard to meeting in states that have ratified the Equal Rights Amendment. Mr. Zimmerman explained that the ASSA selects the sites for the annual meetings, while the IRRA selects the sites for its own spring meetings. The IRRA Executive Board at its meeting in New York in 1977 approved a resolution to hold its spring meetings only in states

that had ratified the ERA. The ASSA, Mr. Zimmerman reported, has not formulated an official position on the issue. He announced the sites that had been selected by the ASSA for annual meetings in future years as follows: 1980—Denver; 1981—Washington, D.C.; 1982—New York City; 1983—San Francisco; 1984—Dallas; 1985—New York City. He noted that all of those cities are in states that have ratified the ERA.

IRRA AUDIT REPORT

We have examined the statement of cash and investments of the Industrial Relations Research Association as of June 30, 1979 and 1978 and the statement of cash receipts and disbursements for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures we considered necessary in the circumstances.

As described in Note 1, the Association's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the cash and investments of the Industrial Relations Research Association as of June 30, 1979 and 1978 and the cash transactions for the years then ended, on the basis of accounting described in Note 1, which basis has been applied in a manner consistent with that of the preceding year.

SMITH & GESTELAND
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Years Ended June 30 1979 and 1978

	1979	1978
Cash and investments—July 1	$ 36,477.26	$ 35,440.81
Cash Receipts		
Membership dues	$ 74,424.80	$ 60,407.50
Subscriptions	10,569.00	8,931.00
Chapter dues	3,846.25	1,925.50
Sales	6,749.42	10,088.54
Mailing list	4,489.51	3,222.27
Travel, conferences and meetings	7,067.02	13,515.05
Royalties	1,149.01	1,009.27
Interest income	2,172.61	2,089.60
Miscellaneous	16.00	
Gain on redemption of bond		580.38
Total cash receipts	$110,483.62	$101,769.11
Cash Disbursements		
Salaries and payroll taxes	$ 33,041.43	$ 23,234.39
Retirement plan	3,100.08	2,669.40
Honorarium	4,000.00	3,000.00
Postage	6,545.00	4,386.86
Services and supplies	14,917.87	5,495.21
Publications and printing	39,244.78	45,020.21
I. R. R. A. conferences and meetings	6,271.01	15,140.79
Telephone and telegraph	917.70	768.49
Audit	750.00	700.00
Miscellaneous	337.61	317.31
Total cash disbursements	$109,125.48	$100,732.66
Excess of receipts over disbursements	$ 1,358.14	$ 1,036.45
Cash and investments—June 30	$ 37,835.40	$ 36,477.26

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

STATEMENT OF CASH AND INVESTMENTS

June 30 1979 and 1978

CASH	1979	1978
Checking account—First Wisconsin National Bank of Madison	$ 3,987.96	$ 802.43
Golden Passbook—90 day—First Wisconsin National Bank of Madison	10,407.66	8,347.08
Golden Passbook—1 yr.—First Wisconsin National Bank of Madison	86.34	5,458.64
Golden Passbook—2½ yr.—First Wisconsin National Bank of Madison	23,353.44	21,869.11
Total Cash and Investments	$37,835.40	$36,477.26

NOTES TO FINANCIAL STATEMENTS, June 30, 1979 and 1978

NOTE 1—ACCOUNTING POLICIES

Financial statements are prepared on the basis of cash receipts and disbursements. Revenue is recognized when received and expenses are recognized when paid.

NOTE 2—LINE OF BUSINESS

The association is a nonprofit association. Its purpose is to provide publications and services to its members in the professional field of industrial relations.

NOTE 3—RETIREMENT PLAN

The association has a retirement annuity contract covering the executive assistant. The amount of funding in 1979 and 1978 was $3,100 and $2,669, respectively. These amounts are treated as additional compensation to the executive assistant.

NOTE 4—TAX EXEMPT ORGANIZATION

The association is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code.

INDEX TO IRRA PUBLICATIONS, 1973-1979*

SUBJECT INDEX OF CONTRIBUTIONS

* The Index for the period 1948-1960 is included in the *Thirteenth Annual Proceedings* (1960); the Index for the period 1961-1965 is included in the *Eighteenth Annual Proceedings* (1965); the Index for the period 1966-1972 is included in the *Twenty-Fifth Anniversary Proceedings* (1972).

SUBJECT INDEX OF CONTRIBUTIONS 1973-1979

LABOR-MANAGEMENT RELATIONS

Collective Bargaining

1280. Jobs, Upward Mobility, and Bargaining in the Public Sector, Jean J. Couturier, 28th Annual, 1975, pp. 184–189.
1281. Discussion: Public Service Employment and Public Sector Labor Relations, Charles C. Killingsworth, Paul Bullock, 28th Annual, 1975, pp. 190–196.
1282. Collective Bargaining and Comparability in the Federal Sector, Stephen A. Koczak, 28th Annual, 1975, pp. 197–204.
1283. Development of Collective Bargaining in Canadian Universities, Mark Thompson, 28th Annual, 1975, pp. 257–265.
1284. Survey of Faculty Attitudes Toward Collective Bargaining, E. Edward Herman, Gordon S. Skinner, 28th Annual, 1975, pp. 266–277.
1285. Recent Trends in Collective Bargaining in Higher Education, Carl J. Schramm, 28th Annual, 1975, pp. 278–282.
1286. Discussion: Collective Bargaining in the Universities, James P. Begin, Archie Kleingartner, 28th Annual, 1975, pp. 283–288.
1287. Reflections on Public Sector Collective Bargaining, Benjamin Aaron, Spring Proc., 1976, pp. 453–460.
1288. Collective Bargaining Strategies in the Context of Unemployment and Inflation: The Economic Context, Michael H. Moskow, Spring Proc., 1976, pp. 461–466.
1289. Collective Bargaining Strategies in the Context of Unemployent and Inflation: A Management View, John J. O'Connell, Spring Proc., 1976, pp. 467–471.
1290. Collective Bargaining Strategies in the Context of Unemployment and Inflation: A Labor View, Richard A. Liebes, Spring Proc., 1976, pp. 471–475.
1291. Collective Bargaining Strategies in the Context of Unemployment and Inflation: A Mediator's View, Paul Yager, Spring Proc., 1976, pp. 475–479.
1292. State Government-Strategies for Negotiations in an Austere Environment: A Management Perspective, Donald H. Wollett, Spring Proc., 1976, pp. 504–511.
1293. Local Government-Bargaining and the Fiscal Crises: Money, Unions, Politics, and the Public Interest, Arvid Anderson, Spring Proc., 1976, pp. 512–520.
1294. Public Schools-Multi-Unit Common Bargaining Agents: A Next Phase in Teacher-School Board Bargaining in Michigan, Hy Kornbluh, Spring Proc., 1976, pp. 520–527.
1295. Discussion: Collective Bargaining in the Public Sector, Thomas L. Watkins, Spring Proc., 1976, pp. 528–530.
1296. Law and Practice of Collective Bargaining, Joseph P. Goldberg, Federal Policies and Worker Status Since the Thirties, 1976, pp. 13–41.
1297. Impact of Coercive Persuasion on Unit Formation and Collective Bargaining, Michael C. Giallourakis, 29th Annual, 1976, pp. 82–88.
1298. Multiemployer Bargaining Among Local Governments, Peter Feuille, Hervey Juris, Ralph Jones, Michael Jay Jedel, 29th Annual, 1976, pp. 123–131.
1299. Impact of Union-Negotiated Employment Security Provisions on the Manufacturing Quit Rate, Richard N. Block, 29th Annual, 1976, pp. 265–273.
1300. Collective Bargaining as an Institution—A Long View, Jack Barbash, 29th Annual, 1976, pp. 303–310.
1301. Discussion: Collective Bargaining as an Institution—A Long View, David B. Lipsky, 29th Annual, 1976, pp. 311–316.
1302. Wage Determination and the Development of Collective Bargaining in Baseball, James G. Scoville, 29th Annual, 1976, pp. 317–323.
1303. Labor Agreements in the Hospital Industry: A study of Collective Bargaining Outputs, Hervey A. Juris, Spring Proc., 1977, pp. 504–511.
1304. Union Effects on Hospital Administration: Preliminary Results from a Three-State Study, Richard U. Miller, Brian B. Becker, Edward B. Krinsky, Spring Proc., 1977, pp. 512-519.
1305. Role of Hospital Cost-Regulating Agencies in Collective Bargaining, Carl J. Schramm, Spring Proc., 1977, pp. 519–525.

Effects on Faculty Compensation, Martin J. Morand, Donald S. McPherson, 32nd Annual, 1979, pp. 282–293.

1332. Public-Sector Bargaining in the South: A Case Study of Atlanta and Memphis, Dorothy Cowser Yancy, 32nd Annual, 1979, pp. 300–310.

1333. Discussion: Contributed Papers: Public-Sector Bargaining, Paul F. Gerhart, 32nd Annual, 1979, pp. 311–315.

Cooperation

1334. Co-Determination, Industrial Democracy and the Role of Management, Pres. Address, Douglas Soutar, 26th Annual, 1973, pp. 1–7.

1335. Systems of Formal Participation, Arnold S. Tannenbaum, Organizational Behavior Research and Issues, 1974, pp. 77–105.

Labor Disputes/Arbitration

1336. Right of Minorities to By-Pass the Grievance Procedure, Disregard the No-Strike Restriction, and to Engage in Strikes During the Life of a Collective Bargaining Agreement, Sheldon M. Charone, 26th Annual, 1973, pp. 105–108.

1337. Conflict and Conflict Resolution, Donald Nightingale, Organizational Behavior Research and Issues, 1974, pp. 141–163.

1338. Expedited Grievance Arbitration: The First Steps, Michael F. Hoellering, 27th Annual, 1974, pp. 324–331.

1339. Labor Relations in a Period of Inflation and Recession: Policies of the NLRB, John H. Fanning, Spring Proc., 1975, pp. 534–540.

1340. Discussion: California Farm Labor Conflict, Lamar B. Jones, 29th Annual, 1976, pp. 89–90.

1341. Value Differences Between Attorney and Economist Labor Arbitrators, Eddie W. Bankston, 29th Annual, 1976, pp. 151–160.

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