

## **Proceedings of the Forty-Seventh Annual Meeting**

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January 6-8, 1995  
Washington, D.C.

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**INDUSTRIAL RELATIONS  
RESEARCH ASSOCIATION SERIES**

**Proceedings of the Forty-Seventh  
Annual Meeting**

**January 6-8, 1995  
Washington, D.C.**

**Paula B. Voos, Editor**

PROCEEDINGS OF THE FORTY-SEVENTH ANNUAL MEETING.

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## PREFACE

The Industrial Relations Research Association convened its 47th Annual Meeting in Washington, D.C., January 6-8, 1995. Approximately 400 persons attended a record number of IRRA sessions and also enjoyed the numerous cultural activities available in the U.S. Capitol.

The meeting offered a wide range of workshops of interest to practitioners and academics alike. Nine workshops were held over the course of the three-day meeting and included well-attended sessions on labor standards in the global workplace, public sector issues, the glass ceiling, and union organizing. Many of the meeting sessions dealt with the topic of labor law reform in anticipation of the release of the final report of the Commission on the Future of Worker-Management Relations, commonly referred to as the Dunlop Commission. Topics ranged from the revitalization of employment law to the relevancy of the Canadian experience to the current debate. Other sessions considered international workplace democracy, high-performance workplaces, retirement trends, and health and safety reforms. More than forty abstracts were entered in the ever-popular poster sessions on the first day of the meetings. Authors and attendees informally discussed posted papers as they shared ideas and developed new contacts.

William Gould IV, chairman of the National Labor Relations Board, received an enthusiastic welcome when he addressed issues facing the board and current challenges to labor and management. In his presidential address, Lynn R. Williams noted that the IRRA is "reflective of the uncertainties, conflicts, confusions, and changes in which both labor relations and our society, more generally, are immersed." He urged the Association to rededicate itself to its founding principle and purpose and to appreciate that its quality is more important than its growth.

Meeting attendees enjoyed the hospitality of the Washington, D.C. IRRA Chapter; AFL-CIO, National Education Association; National Association of Manufacturers; Airline Industrial Relations Conference; Bureau of National Affairs; and National IRRA at a jointly sponsored reception in the impressive lobby of the AFL-CIO. On the afternoon preceding the meetings, early arrivers were invited to attend a ceremony and reception at the Department of Labor on the occasion of the induction of George W. Taylor, noted academic, arbitrator, and third president of the IRRA, into the Labor Hall of Fame.

We again offer our thanks to the many individuals who contribute to the publication of the *Annual Meeting Proceedings*. We especially thank Jeanette Zimmerman for her excellent work as IRRA copy editor and the authors who contributed their work.

The next annual meeting of the Association will be held in San Francisco, January 6-8, 1996. We hope you will join us there to share a unique and diverse opportunity to learn from one another.

Kay B. Hutchison  
Administrator and Managing Editor

Paula B. Voos  
Editor-in-Chief

# CONTENTS

Officers of the IRRA	Cover 2
Preface	iii
IRRA Membership Information	Cover 3
Alphabetical List of Authors	465

## I

### PRESIDENTIAL ADDRESS

Walter J. Gershenfeld, Presiding

The IRRA in Principle and Purpose: Past and Present	LYNN R. WILLIAMS	1
--	------------------	---

## II

### REFEREED PAPERS: HUMAN RESOURCE MANAGEMENT AND EMPLOYEE INVOLVEMENT

Marcus Hart Sandver, Presiding

Job Burnout and Satisfaction in Information Services: Antecedents and Consequences	BEVERLY J. DEMARR	10
Employees' Procedural Justice Perceptions of Pay Raise Decisions	JAMES DULEBOHN AND JOSEPH J. MARTOCCHIO	21
Collective Voice and Employee Absenteeism: A Review	ANDREW A. LUCHAK AND IAN R. GELLATLY	30
Discussion	DEBRA J. COHEN	38
	EDILBERTO F. MONTEMAYOR	42

### III

#### RETIREMENT TRENDS AND PROSPECTS IN THE NEXT CENTURY

Olivia S. Mitchell, Presiding

Older Union and Nonunion Workers and their Jobs in the Health and Retirement Survey	ALAN L. GUSTMAN, OLIVIA S. MITCHELL, AND THOMAS L. STEINMEIER	44
Public Sector Pensions: Can They Meet the Challenge?	PING-LUNG HSIN AND OLIVIA S. MITCHELL	54
Averting the Old Age Crisis	ESTELLE JAMES	64
Changing the Investment Policies of Social Security	JOYCE MANCHESTER	76
Discussion	EMILY S. ANDREWS	84

### IV

#### REFEREED PAPERS: LABOR ECONOMICS AND LABOR MARKETS

Michael Podgursky, Presiding

The Effects of Ownership on Relative Wages	SUSAN C. SASSALOS	87
White-Collar Job Displacement, 1983-1991	LORI G. KLETZER	98
The Decision to Accept a Separation Bonus: The Case of Military Personnel	STEPHEN L. MEHAY	108
Discussion	ELAINE SORENSON	116
	ERICA GROSHEN	118

### V

#### DISSERTATIONS

Susan Schwochau, Presiding

Cooperation, Conciliation, and Continuity: The Evolution of a Modern Grievance Procedure in the Columbus Typographical Union, No. 5, 1859-1959	HOWARD R. STANGER	121
---	-------------------	-----



Organizational Function and Managerial Compensation: An Investigation of Interfirm and Intrafirm Differentials	BARBARA L. RAU	131
Discussion	MICHAEL BYUNGNAM LEE	138
	MARIANNE KOCH	140

## VI

### COMPARING ORGANIZATIONAL PRACTICES: METHODOLOGICAL ISSUES

Peter Sherer, Presiding

Methodological Issues in Panel Surveys of Organizations	MARYELLEN R. KELLEY	142
How Do You Survey Firms?	LARRY W. HUNTER AND FRITS K. PIL	152
Surveying Unions: Lessons from Studies of Union Strategy and Planning	KAY STRATTON DEVINE	163
Methodological Issues in Comparative Industrial Relations and Human Resource Management Survey Research	MARC WEINSTEIN	169
Discussion	MICHAEL MASSAGLI	178

## VII

### REVITALIZING THE LAW OF WORK

Theodore J. St. Antoine, Presiding

From Servants to Workers: A Modern Law of Work in the United States	ROBERT J. PLEASURE AND PATRICIA A. GREENFIELD	180
Confronting Judicial Values: Rewriting the Law of Work in a Common Law System	JAMES B. ATLESON	190
Progressive Goals, Conflicting Purposes: Labor and Antitrust Law	KATHY L. KRIEGER	199
Flexible Production Systems, Workforce Polarization, and Worker Collective Action	LARRY ZACHARIAS AND CATHY SCHOEN	207

Discussion	CHRISTOPHER L. TOMLINS	216
	JONATHAN P. HIATT	221

## VIII

### INTERNATIONAL WORKPLACE DEMOCRACY: TRANSITIONAL AND STABLE ECONOMIES

Adam Blumenthal, Presiding

Russian Labor-Management Relations: Some Preliminary Lessons from Newly Privatized Enterprises	JOSEPH R. BLASI	225
Employee Participation in Transitional Economies: Evidence from Bulgarian Managers	DEREK C. JONES	235
Discussion	GEORGE STRAUSS	246

## IX

### CREATING HIGH-PERFORMANCE WORKPLACES

Eileen Appelbaum, Presiding

Applying Lessons from the German Apprenticeship System in Austin, Texas	ROBERT W. GLOVER	248
Experienced Workers and High-Performance Work Organization: A Case Study of Two Automobile Assembly Plants	HARLEY SHAIKEN	257
Discussion	STEPHEN M. MITCHELL	267
	DANIEL MARSCHALL	270

## X

### REFORMING SAFETY AND HEALTH REGULATION: PROSPECTS AND PITFALLS

Nicholas A. Ashford, Presiding

Mandating Safety and Health Committees: Lessons from the States	DAVID WEIL	273
Creating Economic Incentives: Lessons from Workers' Compensation Systems	LESLIE I. BODEN	282

Discussion	JANE S. ROEMER	290
	NICHOLAS A. ASHFORD	293

## XI

### REFEREED PAPERS: LABOR-MANAGEMENT RELATIONS

Robert Simmelkjaer, Presiding

The Determinants of Public Employee Unions' Political Activities	TIMOTHY D. CHANDLER AND RAFAEL GELY	295
Unfair Labor Practice Charges Filed in Existing Bargaining Relationships— Bilateral Bargaining?	KAREN E. BOROFF	305
National Union Effectiveness: Top Union Leaders' Views	JACK FIORITO, LEE P. STEPINA, PAUL JARLEY, AND JOHN T. DELANEY	317

## XII

### EMPLOYEE VOICE IN THE WORKPLACE

Joel Cutcher-Gershenfeld, Presiding

Employee Voice in Training and Career Development	CLAIR BROWN AND MICHAEL REICH	327
Worker Representation and Participation Survey: First Report of Findings	RICHARD FREEMAN AND JOEL ROGERS	336

## XIII

### SOCIOLOGICAL PERSPECTIVES ON LABOR LAW AND THE LABOR MOVEMENT

Robert Stern, Presiding

Laws as a Cause and Consequence of Public Employee Unionism	BERKELEY MILLER AND WILLIAM CANAK	346
Special Relations: Public Sector Unionism, Industrial Relations, and the Law	PAUL JOHNSTON	358

Discussion	HOLLY MCCAMMON	366
	SAMUEL COHN	369

#### XIV

### UNIVERSITY-BASED TRAINING FOR EXPANDED EMPLOYEE INVOLVEMENT

Ralph Johnson, Presiding

Training for Labor-Management Programs in the Health Care Industry	JILL KRIESKY	374
Educating for AT&T, CWA, and IBEW's Workplace of the Future	ADRIENNE E. EATON	383
Negotiating a "Modern Operating Agreement" at Ford's Dearborn Assembly Plant: A New Role for Labor Education?	SUSAN J. SCHURMAN	391

#### XV

### NEW DIRECTIONS FOR LABOR LAW REFORM: THE WORKPLACE AND BEYOND

Stephen Herzenberg, Presiding

Labor Law Reform: Taking a Lesson from the Trucking Industry	MICHAEL H. BELZER	403
Rethinking the Microeconomic Foundations of Worker Representation and Its Regulation	HOWARD WIAL	414
Policy Responses to the Growth of Unstable Employment Arrangements: French and Canadian Experiences	FRANÇOISE CARRÉ	422

#### XIV

### POSTER SESSION I

Cheryl L. Maranto, Presiding

Issues in Analyzing Nonnormal Distributions: The Case of Absenteeism	CHOCKALINGAM VISWESVARAN, SUJATHA C. KRISHNASWAMY, STEVEN L. POPEJOY, AND MEGAN MOWREY	430
---	--	-----

Worker Attitudes toward Employer and Union: The Impact of Voluntary Part-Time Employment Status	JUDITH W. TANSKY AND DANIEL G. GALLAGHER	430
Gender Wage Differentials, Discrimination, and Work Effort across Method of Pay	PAUL CHEN AND PER-ANDERS EDIN	431
Redefining Japan's Lifetime Employment: Aging Workers in a Changed Economy	JAY S. SIEGEL	431
Strategic Human Resource Management Orientation: Development of a Measure and an Examination of Its Correlates	PAUL M. SWIERCZ, LINDA FLYNN, AND PATRICIA LYNCH	432
Factors Affecting Workforce Reduction of Bargaining Unit Employees: Evidence from a Regional and National Survey	TERRY H. WAGAR, KENT F. MURRMANN, AND DANE M. PARTRIDGE	432
The Foodworkers' Strike of 1993: A Case Study	KAREN E. BOROFF AND WILLIAM J. TOTH	433
Paradigm of Successful TQM Training Leading to Successful TQM Implementation	HELEN LAVAN, JODI SUTTOR, AND MARSHA KATZ	433
Human Resource Practices in U.S. and Canadian Unions	PAUL F. CLARK, NORMAN SOLOMON, AND LOIS S. GRAY	434
Differences in Decision Making between Experienced Judges and Inexperienced Judges in Dispute Resolution: The Case of Final Offer Interest Arbitration	GYU-CHANG YU AND GREGORY G. DELL'OMO	434
The Role of Comparable Information in Unionization	ROLAND ZULLO	435
The International Decentralization of Collective Bargaining: Convergence or Divergence?	PHILIP K. WAY	435
Union Climate and Union Activity: Testing a Conceptual Model	ROBERT C. HOELL	436
You're Leaving? The Price and Mueller Turnover Model Statistically Revisited	CHRISTINE QUINN TRANK AND MEGAN MOWREY	436

Employee Satisfaction with Employee Assistance Programs	JACK L. HOWARD, HUEI LEE, AND HELEN C. WILLIAMS	437
Gender Differences in Employer-supported Training and Education	TIMOTHY J. KEAVENY AND EDWARD J. INDERRIEDEN	437
How U.S. Chemical Industries Are Addressing the Skill Shortage	ALAIN BERNARD, DOMINIQUE BESSON, AND SLIMANE HADDADJ	438

## XVII

### POSTER SESSION II

Cheryl L. Maranto, Presiding

Trends in Pension Plan Types: A Model and Discussion of Human Resource and Capital Market Issues	BONNIE R. RABIN AND ROBERT J. RYAN	439
Benefit Satisfaction within a Managed Care Flexible Environment	BONNIE R. RABIN	439
An Empirical Study of Strategic Typology, Compensation System Characteristics, and Firm Performance in South Korean Firms	MICHAEL BYUNGNAM LEE, B. WAYNE ROCKMORE, AND VIDA SCARPELLO	440
Postal Service Change: Evaluation of a Longitudinal Field Experiment	JAMES E. MARTIN, JOHN E. THOMAS, JOHN CHRISTOPHER, ARTHUR M. LUBY, MICHAEL MORRIS, AND JON NUMAIR	440
Investment in Human Capital, Racial, and Gender Disparities in JTPA	CAROLYN BALL	441
Change in Public Sector Labor Contracts: A 20-Year Retrospective	CAROLYN BALL	441
Employee Involvement and Organizational Effectiveness in Public School Districts	STEVEN C. CURRALL, GERARD L. BRANDON, AND VENKAT R. KRISHNAN	442
Japanese Industrial Relations in Transition: Breakdown of the Pillars?	DONG-ONE KIM	442

Cross-functional Coordination and Human Resource Systems: Evidence from Airlines	JODY HOFFER GITTELL	443
The Relationship between Variable Pay Plans and Business Unit Characteristics	DANIEL J. KOYS	443
European Integration and the North American Free Trade Agreement	ARNOLD SCHUETZ	443
The Influence of Safety Statutes on Logging Fatalities: Lessons from the Pacific Northwest	STEPHEN J. HAVLOVIC AND WILLIAM M. MOORE	444
Empirical Evidence of the Effects of Employer and Union Strike Tactics	CYNTHIA L. GRAMM AND JOHN F. SCHNELL	444
The Effects of Union Membership on Multiple Work Commitments among Female Public Sector Employees	GLORIA JONES JOHNSON AND W. RAY JOHNSON	445
Reframing the Grievance Procedure as Interest-based Negotiation	DONALD S. MCPHERSON AND DAVID A. MORAND	445

## XVIII

### IRRA ANNUAL REPORTS

Executive Board Meeting in Philadelphia	447
Executive Board Meeting in Washington, D.C.	450
General Membership Meeting in Washington, D.C.	456
Audit Report for 1994	460





# I. PRESIDENTIAL ADDRESS

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## The IRRA in Principle and Purpose: Past and Present

LYNN R. WILLIAMS  
*United Steelworkers of America*

I should like to express at the outset of these remarks what a privilege it has been to be President of the IRRA during these past twelve months. It has enabled me to gain new insight into the broader world of union-management relationships at a particularly challenging moment of change, of instability and uncertainty, of confusions and contradictions, of doubts and fears, but also of new initiatives of unprecedented creativity and promise.

As the leader of an active and involved union, one is, of course, unavoidably aware of the broader currents of change but simultaneously and, with even more forceful compulsion, required to confront and manage the immediate demands of the new realities without, in many instances, the opportunity for the time and study which one might prefer. Therefore, not much of either the scholarship or the practical exchange, which the IRRA at its best represents, had been as significant an element in my working life experience as I would have wished. This year of IRRA responsibility has not only provided significant opportunities for exposure to a wider range of knowledge but also induced an element of regret that I had not earlier availed myself to a greater extent of the array of potential information, knowledge, and understanding which the IRRA provides.

As I perceive our present circumstances, the IRRA is itself reflective of the uncertainties, conflicts, confusions, and changes in which both labor relations and our society, more generally, are immersed. Thus we are pushed in one direction and pulled in another and have been involved in a

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series of evaluations, proposals, and presidential addresses calling for reform. In this regard, we are in the mainstream, if it's any comfort. There is not any institution of which I have knowledge—certainly not the labor movement, certainly not industrial America, certainly not the Congress—that has or will escape the reality that we live at a moment of considerable turbulence—driven by globalization, by technology, by financial power, by poverty, by the apparent failures of old systems and the lack of consensus about new to mention but a few of the underlying factors. How then do we react to or preferably attack these circumstances?

There are many means, theories, and structures by which to analyze our situation; indeed, our leaders and members are engaged in a number of them, as it's appropriate that they should be. I should like to offer a modest framework as a basis for determining our future direction.

There are fundamentally, it seems to me, three critical levels of decision making involved in establishing the foundation for our continuing existence and viability—questions of principle and purpose, of strategy and of tactics, all of which become intermingled when we discuss what we wish to accomplish but about which there may be some benefit in disentangling, at least for purposes of examination.

I appreciate that principle and purpose are very old-fashioned words, but more modern variants with the same intended meaning do not occur to me. A set of understood and accepted principles provide the very core of an organization's existence without which it may easily become embroiled in frustratingly ineffective efforts at survival by whatever means and lose sight, at its peril, of its fundamental strengths and objectives.

The core founding principle of the IRRA was, I believe, quite clear: the creation of an association around the practice of free collective bargaining as it was developed in the United States and Canada which would encourage and facilitate the development of a recognized academic discipline in that regard but would involve, as well, all of the practitioner communities—management, unions, arbitrators, mediators—that become participants in and contributors to the bargaining process.

Events as significant as the creation of the IRRA do not, of course, occur in a vacuum, but in a context; in this case in the context of the Wagner Act, the rush to unionization across industrial America, and the consequent rise in the practice of collective bargaining. By the time of the IRRA, this context embraced a number of other factors as well, including the idealism about and profound appreciation for democratic values which was so much a part of the legacy of the defeat of fascism in World War II.

The fundamental question, therefore, is whether or not in today's dramatically different circumstances this core principle remains an appropriate

foundation upon which to continue to build our Association. Not surprisingly, I answer this question with a resounding YES, for more reasons than I can share during these few minutes, but permit me to share a few.

Let me first acknowledge the obvious, that there has been a decline in the practice of free collective bargaining in America, which has undoubtedly resulted in a lower level of demand for many of those who teach or practice in this field, just as this decline itself has resulted, to a major degree, from a lesser demand for steelworkers, auto workers, textile workers, and other traditional collective bargaining participants. These developments, however, do not in themselves suggest that collective bargaining is any less valid, any less an essential expression of democratic values, or any less critical to the quality of national life than it was in 1947 or has been at any time since.

While the decline of collective bargaining certainly relates mathematically to the enormous loss of jobs in America's industrial base, it relates more profoundly to the powerful impediments that have blocked access to union membership and collective bargaining for hundreds of thousands of America's working people.

The first fact-finding report of the Dunlop Commission attested to both these circumstances. It provided a review of the impact on employees and employment of radically changing economic realities. It described in detail the unconscionable extent to which employers' proven illegal interference with the right of employees to organize has escalated over the years, not to mention all the inhibiting and intimidating procedures that are routinely invoked which skirt or are permitted by the law, although in obvious violation of its original intent.

The early results of Freeman and Rogers' Worker Representation and Participation Survey are most interesting with regard to the attitudes of American workers on this question of representation in the current socioeconomic environment, as best this can be determined by survey and focus group analysis. It is apparent from their analysis that the overwhelming majority (90%) of union members engaged in collective bargaining want to continue in that situation—a degree of “customer satisfaction,” if you will, that is a compelling affirmation of the validity of how our collectively bargained labor relations system is perceived (when permitted to function) by those most directly concerned. Nor is a positive view restricted to the workers. Nearly 70% of managers, it is reported, view their top management as accepting “the union as a partner in workplace decisions.”

The survey also emphasizes the overwhelming desire of all workers in America, nonunion as well as union, to have an effective voice at their workplace, both with regard to their own circumstances and to the operating decisions of their enterprises, on which they believe they can have a

most constructive impact. Most see this as requiring the selection of employee representatives independently from their employer but wish to exercise their involvement within a cooperative atmosphere.

These findings are as one would expect. I've not met many workers who have not preferred cooperative employers. And in an atmosphere as poisoned by hostile and destructive antiunion behavior as ours has become, it's not surprising that many workers may envision a stronger, more independent, and more empowering role as a dubious, indeed dangerous, objective. However, even in the face of this perception, a very strong minority, without benefit for the most part of hands-on experience, opt for union membership and collective bargaining as the method of choice.

There is a simple resolution to these dilemmas, if such they be. Let our society provide workers an opportunity to access union membership and collective bargaining without intimidation, coercion, and all the other impediments in every case in which they seek it—I think employers know what the results would be; I think we all know too.

From an IRRA perspective, important as the most fundamental right of freedom to join a union is and must be, much more is involved. Collective bargaining is engaged in by millions of workers in the United States and Canada in almost as wide a variety of settings as one could imagine. Despite all the current challenges, the American labor movement remains the largest free labor movement in the world. The movement's outreach beyond its traditional base, while not as universal as it must and will be, encompasses many dramatic developments, such as the growth of public- and service-sector unions, or the fact that public and high school teachers are one of the most highly unionized groups in the country. Given the numbers involved and the multiplicity of bargaining units that the Wagner Act model creates, there exists an infinite variety of substance for creative research and analysis.

From my own point of view, collective bargaining has achieved a number of unparalleled successes from both employer and worker perspectives during this most difficult past 10 to 15 years. This audience is familiar with them—many of you have studied them, many of you have contributed to them—in factories and mines, in schools and government, in large enterprises and small: the valuable contribution of union/worker/management collectively bargained partnerships is being demonstrated over and over again. Rich experience, all of it, to be examined, studied, and shared—exactly what the IRRA does best!

I don't mean to be introducing a note of complacency, that the future is unfolding as it should, if that's how these comments appear. There is

obviously nothing about which to be complacent. There are, for example, a number of categories of employees such as contingent workers, many of whom are by most standards very much in need of representation, for whom the traditional Wagner Act model serves so clumsy as to make the achievement of meaningful representation almost impossible. There are, as well, areas of employment in newer industries, which would seem to be appropriate for traditional bargaining in which workers, when they have attempted organization, have largely failed. There is the unprecedented development of employee ownership, frequently as a collectively bargained enterprise survival option, with intriguing and challenging implications for the role of the union and of bargaining as the enterprises move forward. I am aware, of course, that research and innovative thinking is being applied to a host of issues such as these. To support and encourage such efforts and provide a means for their dissemination, as the IRRA does, is surely action based squarely upon our founding principle.

Recent political upheaval is being explained as reflecting the unease of the middle class at their declining fortunes and increasing insecurities, despite the advent of freer trade and increased productivity. It's not simply personal political disappointment that suggests to me that these concerns should be taken seriously. They go directly to the decline in collective bargaining and, therefore, of the checks and balances so essential in a system of private economic power relationships such as our own. A polarized, mean-spirited society can become dangerously destabilized. Collective bargaining is the only mechanism that provides workers the opportunity to be truly empowered, to achieve upward mobility and personal economic growth for themselves, and to make the most effective participatory contribution to the enterprises in which they are employed as well as to the society at large.

In our economic system, collective bargaining is also the most certain method for assuring that productivity and other gains are reflected in improved living standards and in increasing purchasing power. Despite the not inappropriate emphasis we hear on the need for savings and investment, it is fascinating to note the detail with which buying trends are monitored each Christmas season with a view to determining the level of economic activity that they have engendered. There's not much value in investing in the manufacture of a product if there's nobody out there who can buy it!

There are, of course, a host of complex and critically important socioeconomic issues in our society that require the application of the principle, commitment, and talent which the IRRA brings together. What really are we to do about managing in socially useful ways developments such as the

continuing impact of more and more rapid technological change or the increasing power of international corporate and financial players in a globalized economy? Should we not, for example, be examining shorter hours of work as a means of sharing in the benefits of productivity improvement, which could have some impact in reducing the "cut back syndrome," in assisting in the provision of quality family time in an era in which both parents work, and, of course, in reducing the length of working hours in America as compared to most other advanced countries? Should we not also be examining, in increasing depth, prospects for the development of truly international collective bargaining, particularly as it becomes more of a reality within the framework of the E.U.?

Earlier I made reference to the creative successes of collective bargaining during the last decade and more of crisis. It is no less significant that there have been some titanic struggles during this same period, some of which (for example, Pittston and Ravenswood) the labor movement has won, some of which (for example, Eastern) resulted in the total destruction of all concerned, and some of which (for example, Caterpillar and Bridge-stone or the hockey and baseball leagues, for that matter) are in full battle array as we meet. What they all represent, whether perceived as wins or losses, is an enormously wasteful and destructive way—wasteful and destructive of people and of resources—of conducting our affairs. The contradiction between our best practice and our worst is dramatic. The contrast between our approach to these situations and that of most other advanced industrial democracies, particularly our principal competitors, is equally stark. There is, in these comparisons alone, a major challenge for all who care about collective bargaining and its future development.

Well, I hope I have not belabored the point unduly. I have been intending with all of this to say simply that the fundamental principle on which the IRRA was founded, despite all the change and dissonance in which we are currently immersed, is as valid (if not more valid today in many ways because of these very circumstances) as it ever was.

Concurrent with affirming such confidence in our fundamental principle of association, one must acknowledge some continuing difficulties. The membership continues to decline, not precipitously but steadily, both in the national/international body and in the chapters. The leadership has a responsibility to face and deal with this reality. From my perspective today, I am suggesting that the answers lie not in the area of fundamental principle and mission but in our strategic and tactical approaches to our circumstances. Unfortunately, I've had considerable experience with an organization whose membership is declining. There are two obvious approaches: (1) to live within your means as effectively as you can, and (2) to reach out

in ways designed to reverse the decline. The organization has been pressing both such goals. Our administrator, Kay Hutchison, deserves unstinting credit for managing our affairs most efficiently. Ernie Savoie embarked upon and put much effort into establishing institutional memberships which have been most helpful. George Strauss encouraged and practiced reaching out to younger academics and to a broader variety of specialties that touch on our subjects of concern.

The particular uniqueness of our organization is in the cohabitation of academics and practitioners within one house and the need, therefore, to be responsive to the special needs of each as well as to build upon common ground. The Board, committee chairs, and activists have attempted to utilize all of these approaches in the plans we have developed throughout the year and in this year's meeting. There have been more workshops here as a response to the needs of chapter participants. Publication procedures are being revised to permit more effective exposure for academic papers. The Chapter Advisory Committee is making a very significant contribution in bringing chapter representatives together to share needs and experience and to liaise more effectively with the national office and leadership. A number of officers and Board members, including myself, have accepted chapter speaking invitations in order to make more real the ties across the Association.

Our circumstances, it seems to me, call for continuing down all of these paths with as much vigor and resourcefulness as possible. As I have said throughout this past year, I am most impressed with the number of younger scholars who are demonstrating an interest in this field and pursuing a wide variety of research efforts. It makes sense, it seems to me, to continue the initiatives toward a variety of disciplines, to encourage participation across as wide a spectrum as possible. The chapters and the involvement of practitioners represent an additional "value added" to our Association as contrasted with those that are purely academic in nature. We must continue to nourish and build upon this "comparative advantage."

This raises an issue that has always been with us, which was addressed specifically by Jim Stern in his 1992 presidential address: the idea that there should be a unitary membership in the Association, that chapter members automatically be national members as well, and that all pay the same fee. Such a step, which Jim Stern suggested could be phased in by devices such as grandfathering existing members, would require the Association to concern itself even more with assuring that membership was a meaningful experience, an obligation which could only be helpful in our achieving the best results.

One element in pursuing this approach might be to use the additional resources that should accrue and/or shift some present resources to develop

an even more substantive communications effort among all the members with, for example, a more frequent *Dialogues* as a more content-oriented newsletter. There is also a current initiative by a small committee headed up by Roy Adams to develop an Internet system. These ideas would be designed to contribute to the Association becoming a more regular and a more meaningful presence in the lives of its members.

I must confess I do not have a crystal-clear idea of what a realistic potential membership for the Association might be, but as is demonstrated in so many situations in organizational life (as in the Portland IRRA Chapter), when a group of activists commit themselves to growth and development, the results can sometimes be quite astounding.

More important than growth, however, is quality. If it is inevitable, given current circumstances, that our Association be somewhat smaller for a time, that does not prevent its being committed to quality in all its activities—national meetings, chapter meetings, publications. The issues with which it is engaged are so important for the future of our society that if it becomes, of necessity, leaner but retains and enhances its commitment to quality, it will make a most constructive and critically relevant contribution to the understanding and resolution of some of the most challenging issues of our time.

It does not seem reasonable to conclude these remarks without some mention of the name of the Association. As you all know, chapters have been polled during this past year with regard to their views. Most who have responded have indicated a preference for leaving the name as it is. The Executive Board remains seized with the issue. My own view is that all of these other qualitative inputs with which the Association has been involved are much more important than the name, that to pursue them effectively—to broaden our membership, to encourage the development of our field, to increase the internal communication efforts—will bring about, in due course, an appropriate solution to the issue of the name.

What remains vital is that there be no confusion about the principle on which the Association is based and its mission. Historically, workers have been released from bondage by collective bargaining. In today's circumstances, workers and employers together have pursued dramatic new initiatives toward increasing quality and productivity and toward improving the quality of life both at and away from the workplace as a result of the voice, the power, and the creative dynamic which collective bargaining can provide. Never has it been more necessary; never has the potential for accomplishment been greater. The IRRA is positioned to make a unique contribution to the creation of the future because it brings together those participants from all sectors who are involved and who care.



It had been our expectation, as everyone knows, that the Dunlop Commission report would have been completed prior to the annual meeting and been a key element in our discussions. It is not difficult to understand that given the challenge of the Commission's change, some further time was required. Obviously, it is not for me to predict what the report will contain, although I have heard many predictions. It is also my hope that it will attempt to rectify the enormous injustice that is being perpetrated upon American workers, in particular, but also upon American enterprise and America itself by the effective denial of free collective bargaining rights to the millions of American workers who desire them. My hope has been that it will affirm the importance of freedom in this regard as well as the necessity of workers to remain free to control and direct their own organizations and to choose their own representatives by their own decision-making processes.

In any event, whatever the Dunlop recommendations, whatever legislative results may or may not come to pass, the role of the IRRA will be of substantial consequence. We must, with intellectual integrity and shared commitment, continue our best efforts to accomplish its mission.

## II. REFEREED PAPERS: HUMAN RESOURCE MANAGEMENT AND EMPLOYEE INVOLVEMENT

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### Job Burnout and Satisfaction in Information Services: Antecedents and Consequences

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Job burnout commonly refers to a state of emotional exhaustion caused by excessive psychological and emotional demands made on people helping people (Jackson, Schwab, and Schuler 1986). Burnout is characterized by high levels of emotional exhaustion and depersonalization and diminished feelings of personal accomplishment. When employees are burned out, organizations often experience increased absenteeism, turnover, reduced productivity, and human considerations (Leiter and Maslach 1988), and a lack of communication, trust, positive feedback, respect for clients and coworkers, and openness to new ideas (Spanoil and Caputo 1979). Clearly, burnout has the potential to have a very negative impact on many diverse areas within organizations as employees withdraw. Today more and more organizations are utilizing team-based approaches and increasingly want employees to become ever more involved and committed to the organization. At the same time, high levels of involvement and working in teams may actually foster some of the known burnout antecedents (e.g., role conflict) and subsequently burnout. It follows that employees who are experiencing higher levels of burnout will be less likely to be involved and committed at work.

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In a 1993 review of the literature on burnout, Cordes and Dougherty note that the study of burnout has unnecessarily been limited to the "helping professions," even though burnout is experienced by a variety of other occupational groups. The lack of interest in job burnout outside the human service professions could be related to the notion of burnout occurring in "people helping people." It seems fair to say that most people do not perceive individuals working in business and industry as fitting this definition. Many businesses today, however, have a strong focus on total quality management (TQM), where everyone in an organization is viewed as providing a service to their "customers." In this environment it seems that everyone could be viewed as "helping" others.

To better understand the burnout phenomenon, this study first examined the extent to which the concept of job burnout can be generalized to people in a technical field within private-sector industry, specifically information services (IS). Since IS is not normally viewed as a "helping profession," this study responds to Cordes and Dougherty's (1993) call for research. Second, the study assessed whether antecedent conditions can be used to predict burnout and job satisfaction, and if they, in turn, can subsequently predict consequential withdrawal behaviors such as turnover and absenteeism.

### **Model of Burnout**

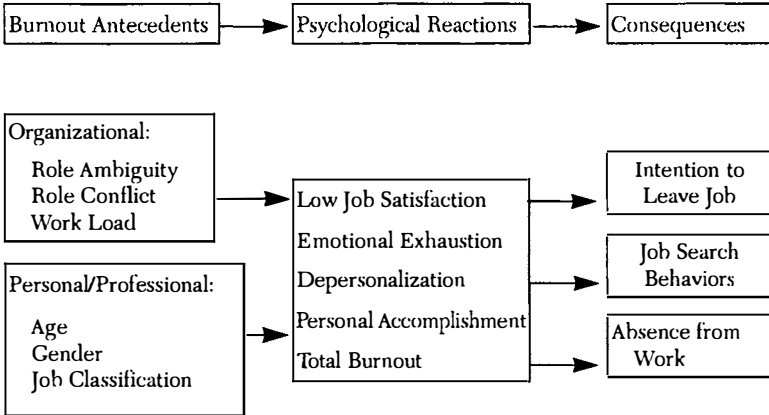
The model of job burnout used in this study is illustrated in Figure 1 and is an adaptation of the model presented by Schwab, Jackson, and Schuler (1986). The major change in this model is the inclusion of job satisfaction as a separate psychological reaction. This was done as a result of the persistence of Maslach and Jackson's (1986) argument that while burnout and job satisfaction are related, they are in fact separate constructs. Including them in the model allows the impact of the antecedent conditions to be evaluated for both. In addition, the predictive value of satisfaction and burnout can be assessed as they relate to intention to leave, job search behaviors, and absenteeism.

#### *Antecedents*

Research has supported the idea that role conflict and large case loads can lead to emotional exhaustion (Jackson et al. 1986). Role conflict occurs when different and conflicting demands are made on a person, such that satisfying one demand results in an inability to satisfy the other. Typical examples of role conflict include incompatible demands or expectations from two or more supervisors, receiving assignments without the resources to complete them, and having to buck rules or policies (Rizzo, House, and Lirtzman 1970).

FIGURE 1

Model of Information Services Professional Burnout Used in This Study.



Several personal and professional background variables have also been included in some of the recent burnout studies (for a review see Cordes and Dougherty 1993). Studies that consider the effect of gender on burnout often report mixed results (cf. Pretty, McCarthy, and Catano 1992). Most studies that have considered the effects of age have found that younger individuals report higher levels of burnout (Cordes and Dougherty 1993). In general, research on the effect of personal and professional variables is still in the early stages.

### Consequences

Most studies of job burnout have focused on burnout antecedents. Of the few studies that have analyzed outcomes, most have focused on some aspect of intent to change jobs. In a study of teachers, Jackson et al. (1986) found that job burnout scores significantly predicted the respondents' preferred job statuses and subsequent thoughts about leaving their jobs. Jayaratne and Chess (1984) found similarities in levels of job satisfaction, burnout and intent to change jobs among child welfare, community mental health, and family service workers. Schwab et al. (1986) found that teachers who were experiencing high levels of emotional exhaustion were more likely to leave teaching and be absent from work.

### Hypotheses

*Hypothesis 1.* Emotional exhaustion will be associated with job conditions that increase the amount of emotional and physical energy needed to

perform the job, specifically role conflict and work load. This hypothesis follows from the basic concept of burnout: that involving work and emotional involvement lead to emotional exhaustion.

*Hypothesis 2.* Feelings of depersonalization will be associated with job conditions that place heavy demands on employees emotionally, specifically role conflict and work load. This follows from Maslach and Jackson's (1984) argument that depersonalization develops as a coping response to work overload.

*Hypothesis 3.* Feelings of low personal accomplishment will be associated with job conditions that imply that one's efforts are ineffective, such as large amounts of overtime and role conflict.

*Hypothesis 4.* Total burnout will be positively associated with role conflict, heavy work loads, and higher job classification.

*Hypothesis 5.* Job satisfaction will be negatively related to role conflict and high work loads. This follows from the idea that role conflict and high work loads can lead to both high levels of burnout and low levels of satisfaction.

*Hypothesis 6.* Burnout will be positively related and job satisfaction will be negatively related to a desire to change jobs. This flows from the argument that burnout leads to withdrawal behaviors.

*Hypothesis 7.* Burnout will be positively related and job satisfaction will be negatively related to job search behaviors.

*Hypothesis 8.* Burnout will be positively related and job satisfaction will be negatively related to absence.

## **Method**

This study involved IS professionals working in an applications development and support capacity. Data were collected from members of a regional computer system users' group in the Midwest. These individuals are employed by a variety of organizations primarily in private-sector industry, most of which were small- to medium-sized.

Role stress was measured by the Role Questionnaire (RQ) developed by Rizzo et al. (1970) which has subscales for both role conflict ( $\alpha = .84$ ) and role ambiguity ( $\alpha = .85$ ). Although there has been some recent criticism of this instrument (Ilgen and Hollenbeck 1992), it was used in this study since it is currently the most widely used measure of role stress. Job satisfaction was assessed with the 20-item short form of the Minnesota

Satisfaction Questionnaire (MSQ) which is a well-regarded measure of job satisfaction ( $\alpha = .88$ ).

Job burnout was measured with the Maslach Burnout Inventory (MBI) (Maslach and Jackson 1986), which has subscales for emotional exhaustion ( $\alpha = .87$ ), depersonalization ( $\alpha = .80$ ), and feelings of personal accomplishment ( $\alpha = .79$ ). A slight modification was made to clarify the questions in an information services setting. Higher scores on the emotional exhaustion and depersonalization subscales and lower scores on the personal accomplishment subscale indicate higher levels of burnout (Maslach and Jackson, 1986). The questions dealing with personal accomplishment were reverse coded to allow the three subscales to be combined for an analysis of total burnout and to provide continuity in reporting results.

Work absence was measured using employees' self-reports of days of work missed in the last 12 months. While self-report data are generally considered to be less desirable than company absence records, it is believed that since this study also investigated turnover intentions and behaviors, any link between employee responses and company records might affect the participation rate and accuracy of the responses of the employees.

## Analyses

A recursive two-equation ordinary least squares regression model (cf. Pindyck and Rubinfeld 1981) was used to examine the interrelationships between the three subscales of the MBI, job satisfaction, and the hypothesized consequences of burnout. The original plan was to also include an analysis of total burnout using a composite score from the three subscales. Early analysis indicated, however, that the three subscales of the MBI did not produce an acceptable alpha reliability (.50) for this group of respondents. Thus the three subscales were not combined and instead were used separately throughout the analysis.

The first group of equations utilized the RQ subscales and the employee demographic and professional characteristics as independent variables. The dependent variables in these equations were each a subscale of the MBI and job satisfaction. The predicted values for each were saved for use as independent variables for the second series of equations where the dependent variables were employee intentions to leave, job search behaviors, absence, and tardiness.

## Results

A total of 71 fully completed questionnaires were returned for a response rate of 68%. Of the respondents, 54.9% were male and the mean age was 36. On average, the respondents had been in their present position

for 3.9 years, with their present employer for 6.2 years, and in the field of information services for 11.0 years. A majority (69.0%) reported they were always assigned to work on more than one project at a time. Over 40% of the respondents reported they worked more than 40 hours per week, almost every week. A vast majority of the respondents indicated they would like to remain in their field. Because the responses to this question were highly skewed toward remaining in the field, this question was not used in further analysis. While a majority of the respondents also indicated they wanted to remain with their present employer, the percentages were not as overwhelming and were, thus, included in the analysis.

### *Antecedents*

Hypotheses 1 through 5 deal with conditions believed to foster burnout and low levels of job satisfaction. Due to the low alpha reliability of the total MBI score noted earlier, no additional testing was done for Hypothesis 4 which dealt with total burnout. The results of these equations are shown in Table 1.

Hypothesis 1 was tested in the first regression equation, which was highly significant ( $p < .0001$ ) and predicted 39% of the variance in emotional exhaustion ( $F = 5.65$ ). Of the variables, frequency of overtime and role conflict were the most important determinants of emotional exhaustion. Respondents who regularly worked more than 40 hours per week and experienced more role conflict were more likely to be emotionally exhausted.

Hypothesis 2 was tested in a second regression equation, which was also highly significant ( $p < .0001$ ) and predicted 44% of the variance in depersonalization ( $F = 7.10$ ). Again, the most important predictors were frequency of overtime and role conflict. In addition, higher level job titles were associated with higher levels of depersonalization. While age also emerged as a significant predictor in the equation, its impact was very small.

Hypothesis 3 was tested in the third regression equation with the personal accomplishment subscale as the dependent variable; however, this equation was not significant ( $F = 1.41$ ,  $p = .22$ ). The only variable in this equation that proved to be significant was frequency of overtime. Keeping in mind that the questions dealing with personal accomplishment were reverse coded, the results indicate that persons who more frequently work overtime also experience higher levels of personal accomplishment. It may be that overtime is required to keep up with a heavy work load and, thus, help people to feel like they are getting the job done.

Hypothesis 5 also produced significant results ( $p = .0012$ ) and predicted 31% of the variance in job satisfaction ( $F = 3.97$ ). The most important

TABLE 1

Regression of the Relationship between Employee Variables and Emotional Exhaustion, Depersonalization, Personal Accomplishment and Job Satisfaction

Equation of Coefficient	Coefficient Estimate	SE	t
<b>Emotional Exhaustion</b>			
Overtime frequency	.28	.08	3.30**
Role conflict	.31	.11	2.92**
Role ambiguity	-.13	.09	-1.40
Multiple projects	-.09	.18	-.50
Job title	-.04	.07	-.56
Age	-.02	.02	-1.47
Gender	.18	.24	.74
Constant	2.70	1.01	2.68**
Model F = 5.65, $p < .0001$ , Multiple R = .62, $R^2 = .39$			
<b>Depersonalization</b>			
Overtime frequency	.28	.09	3.25**
Role conflict	.36	.11	3.30**
Role ambiguity	.07	.09	.72
Multiple projects	-.04	.18	-.25
Job title	.16	.07	2.37*
Age	-.03	.02	-2.18*
Gender	-.28	.25	-1.13
Constant	.84	1.03	.82
Model F = 7.10, $p < .0001$ , Multiple R = .66, $R^2 = .44$			
<b>Personal Accomplishment</b>			
Overtime frequency	-.23	.08	-2.81**
Role conflict	.06	.10	.56
Role ambiguity	-.05	.09	-.53
Multiple projects	.03	.17	.15
Job title	.10	.06	1.64
Age	-4.71	.01	-.32
Gender	.06	.24	.25
Constant	3.39	.98	3.47**
Model F = 1.41, $p = .21$ , Multiple R = .37, $R^2 = .14$			
<b>Job Satisfaction</b>			
Overtime frequency	-.06	.05	-1.16
Role conflict	.21	.06	3.59***
Role ambiguity	-.08	.05	-1.56
Multiple projects	.09	.10	.86
Job title	-.02	.04	-.65
Age	-4.75	8.63	-.55
Gender	.21	.14	1.55
Constant	1.78	.57	3.14**

Model F = 3.97,  $p = .0012$ , Multiple R = .55,  $R^2 = .31$

\*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

The table shows unstandardized regression coefficients.



predictor in this equation was role conflict, such that respondents who experienced higher levels of role conflict were also more dissatisfied with their jobs.

### *Consequences*

Hypotheses 6 through 8 specified potential consequences of job burnout and satisfaction. These hypotheses were tested using a second set of least squares regression equations. The predicted values for emotional exhaustion, depersonalization, personal accomplishment, and job satisfaction from the first set of equations were used as the independent variables. The dependent variables for these hypotheses were turnover desire, job search behaviors, and absence, respectively. Because none of these equations proved to be significant (and due to space limitations), the specific results of the second stage of the regressions will not be presented here.

### **Discussion**

Overall, the results of this study are mixed. Organizational, personal, and professional variables do appear to work well together to predict emotional exhaustion, depersonalization, and job satisfaction. The most important of these independent variables seems to be overtime frequency and role conflict. These results provide support for at least a partial extension of traditional burnout theory to professions outside of human services.

The one dependent variable that the independent variables did not predict well was personal accomplishment. Closer inspection of the correlation coefficients revealed that personal accomplishment did not correlate well with emotional exhaustion and depersonalization. This also helps to explain the low alpha reliability for the total MBI. It seems that feelings of personal accomplishment may be experienced differently for individuals in IS and perhaps even for people working outside of human services in general.

The second group of equations that considered whether predicted emotional exhaustion, depersonalization, personal accomplishment, and job satisfaction predict a person's desire to change jobs, engage in job search behaviors, and absenteeism did not fare well in the analysis, as none of these produced significant results. These results may be due to the size of the sample, or it may be related to the respondents' perceptions of the job market. It may be that given the economy was in a recession at the time of the survey, survey participants may have believed they did not have many employment options, regardless of their level of unhappiness with their current position. This may be compounded by the fact that nearly half of the respondents were women. Women may be more reluctant to consider changing jobs, especially if a new job would require their spouse

to relocate. Clearly, more work in this area is needed to clarify the relationships.

The last equation in this group used predicted emotional exhaustion, depersonalization, personal accomplishment, and job satisfaction to predict absenteeism. While the results for this equation were nonsignificant, they did approach a low level of significance ( $F = 2.20, p = .0785$ ). The difference in the results may be due to the fact that absenteeism is unrelated to an individual's perceptions of other employment opportunities. While nonsignificant results in general can be disappointing, given that the total MBI and especially the personal accomplishment scale did not hold up well, the results were not a complete surprise.

### Implications

While the results of this study were not overwhelming, they do indicate that IS professionals who regularly work overtime and experience high levels of role conflict are at risk of becoming burned out. While more work is certainly needed to better understand the phenomenon of job burnout in other than human service professions, the results should raise a warning flag in organizations. Managers need to become more aware of conditions in their organizations and departments that have the potential of stimulating burnout, particularly the frequency and duration of additional hours being worked as well as conflicting demands faced by individuals.

This is especially true in environments where individuals are working closely together in teams. A study of role structure as it relates to burnout in human services by Leiter and Meechan (1986) found that the more a person's social contacts were concentrated within any given work area, the more likely that person is to report high levels of emotional exhaustion. It follows that as organizations increasingly move toward team-based approaches, the group members' interactions will primarily be with other members of their team, which, in turn, will likely lead to greater levels of emotional exhaustion.

In addition, teams generally strive for members to share the leadership role, resulting in members filling both leader and member roles. Filling multiple roles often leads to increased role conflict and, subsequently, burnout. Role conflict is also likely to be higher when employees are faced with conflicting work and family obligations. This is especially true today as more and more employees have dependent care responsibilities, both child and elder.

With the potential for job burnout seemingly on the rise in organizations, management should become more aware of the situations faced by their employees and more proactive with burnout prevention programs. Activities such as exercise programs, engaging in hobbies, improved time

management, counseling and personal growth labs are but some of the interventions that can be used to reduce burnout (Glogow 1986). Whether an employer opts for a full-blown wellness program, sponsors dependent care assistance programs, offers time-management training, or simply sponsors a softball team, employer awareness and involvement is important as organizations look to their employees for increased levels of commitment and involvement.

While this study does begin to shed some light on the burnout phenomenon outside the human service professions, additional research with larger, more diverse populations is needed. Future research should be conducted with a variety of professions and team formats. More work is also needed to better understand the role of demographic and organizational characteristics. Ideally, a longitudinal study that viewed burnout both before and after the introduction of teams would be done to more specifically assess the impact of teams on job burnout.

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# Employees' Procedural Justice Perceptions of Pay Raise Decisions

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The promotion of procedural justice or fairness in the workplace is recognized as an integral characteristic of effectively run organizations (Greenberg 1990). Certain organizational activities (e.g., grievance resolution) often provide the parties involved with an opportunity to present input that is relevant to the decision process. This accommodation has been referred to as "voice" (Lind and Tyler 1988) or "process control" (Thibaut and Walker 1978). The voice effect has been found to significantly influence perceptions of the fairness of the procedures used to decide outcomes and satisfaction with the outcomes themselves (Lind and Tyler 1988).

Procedural justice research has been restrictive in the organization activities it has examined. Researchers have concentrated on organizational functions that permit input or voice by parties in the procedures utilized to reach decisions made on their behalf. As a result of this focus, the voice effect "is probably the best documented phenomenon in procedural justice research" (Lind, Kanfer, and Earley 1990:952). In contrast, researchers have given far less attention to organizational functions that do not allow voice.

Pay represents one of the most important exchange relationships in organizations. Perceptions of injustice can occur in any organizational exchange relationship and such perceptions are expected to negatively affect an employees attitude toward the exchange relationship, the task s/he is asked to perform, and toward the person who is responsible for the inequitable allocation of rewards (Ajzen 1982). Although employees typically do not have voice in the pay raise decision process, it is logical to assume they do make evaluative judgments regarding the fairness of the factors considered in the decision process and that these judgments affect their attitudes.

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The study's objective was to examine how employees evaluate the fairness of the pay raise decision process—an organizational function where they have no voice. The focus of this study was on the factors considered in the pay raise decision process itself and not on procedural justice rules such as those identified by Leventhal (1980) which may or may not characterize a particular procedure. Using a policy-capturing approach, the study provided a within-subjects assessment of employees' evaluations and judgment policy of the fairness of factors used in making a pay raise decision. This study was guided partly by prior theory and empirical evidence and was exploratory in nature since there has been relatively little research on this topic. Moreover, we examined whether there are individual differences between employees in their perceptions of procedural justice based on characteristics believed to be theoretically relevant.

## **Background**

Researchers have identified the factors that superiors generally use in making pay raise decisions affecting their subordinates. Sherer, Schwab, and Heneman (1987) looked at performance level, tenure, current salary, performance consistency, and external job offer and found that performance level accounted for the largest percentage of variance. Fossum and Fitch (1985) identified five pay increase decision criteria. Based on their results, they ranked the factors in significance as performance level, education and training, personal need for money, occupational marketability, and responsibility.

While factors typically employed in making pay raise decisions have been identified, research has not examined employees' evaluative judgments of the fairness of the use of the factors in the pay raise decision process. Because of the absence of research and the exploratory nature of this study, no specific hypotheses were formulated. Variables were examined that influence perceptions of procedural justice and are likely to differ within and between individuals. We selected the within-subjects independent variables from those factors that researchers have identified supervisors as considering when making pay increase decisions. Our criteria in selecting the factors was their salience (as indicated by the research) and relevance to our organization. The variables selected were performance level, effort, responsibility, and need.

Between-subject variables were selected on the assumption that employees will differ in their perceptions of factors on the basis of demographic and attributional characteristics. Procedural justice research has examined the influence of perceptions of procedural justice in organizations on personal outcomes such as pay satisfaction, organizational commitment

(Folger and Konovsky 1989; McFarlin and Sweeney 1992), and job satisfaction (McFarlin and Sweeney 1992). These studies have shown that procedural justice is strongly related to job satisfaction and organizational commitment, while distributive justice is related to pay satisfaction. Thus we included these as between-subject factors.

A fourth factor selected was fairness orientation. The work value of fairness, or being impartial and doing what is equitable for all concerned (Ravlin and Meglino 1987), may explain differences between employees in their perceptions of justice. Instrumental employees are guided less by values such as fairness and more by self-interest (England 1967). Consequently, these employees may tend to view the pay raise decision processes as less fair because others stand to benefit from the procedures of allocation.

Finally, the between-subject variables age, gender, and education were selected as control variables on the basis of prior research. Prior research has noted that men tend to see more procedural justice than women, and older employees tend to see more procedural justice than younger employees (McFarlin and Sweeney 1992). Also, we posited that the better educated, because of their typically higher occupational status with increased personal control, would be inclined to have higher judgments of procedural justice than the less educated.

## Method

### *Setting, Subjects, and Procedure*

Surveys were administered to a stratified random sample of employees of a large university located in the Midwest. Subjects occupied a wide range of service jobs in the university, ranging from clerical to construction to supervisory. Average age of respondents was 43.4 years ( $SD = 9.9$ ), and 75% were married. Sixty-four percent of respondents were female. Whites constituted 95% of the respondents. Respondents' income contributed, on average, 67% to the total income of their households. Twenty-eight percent of respondents had a high school diploma, 47% had completed an associate's degree or some college, and 21% had at least an undergraduate degree.

Surveys were mailed to employees through campus mail. Participants were told in a cover letter that individual responses were completely confidential, and they were promised entry into a lottery for cash prizes of \$20 or \$100 in return for completing the survey by a specified date. Subjects also were asked to sign an informed consent form. Subjects were sampled from all departments within the university. The sample consisted of 266

respondents who returned completed surveys by the deadline, representing a response rate of 32%.

### *Research Design*

A mixed experimental design was used, incorporating both within-subjects and between-subjects components (Keppel 1982). The factors we manipulated were performance level, effort, responsibility, and need. Each factor contained two levels (i.e., it was either considered as part of the process of determining a pay raise or it was not considered). The four within-subjects independent variables were completely crossed, which permitted assessment of the independent effects of each factor on perceptions of procedural justice. Crossing the factors resulted in 16 ( $2 \times 2 \times 2 \times 2$ ) scenarios which contained all possible combinations of the independent variables, producing orthogonal factors. To assess reliability of the dependent variable, two scenarios were replicated. In order to minimize order effects, the scenarios were presented in random order.

Each participant (i.e., rater) was asked to rate the fairness of the process used by Hill's (the employee depicted in the scenarios) supervisor in deciding Hill's pay raise. An example of a scenario is provided below:

Hill's supervisor either included or excluded the following when deciding Hill's pay raise. The supervisor took into account the amount of effort Hill put forth on the job. The supervisor considered the responsibilities of Hill's job. The supervisor included the level of Hill's performance during the year. The supervisor ignored whether Hill's current salary was adequate for Hill's household expenses.

### *Measures*

*Perceptions of procedural justice.* Belief about whether the process used in deciding Hill's pay raise was fair was operationalized in the following manner: "How would you rate the fairness of the process used by the supervisor in deciding Hill's pay raise?" A six-point Likert-type scale was used, and it was anchored by "very unfair" to "very fair." Reliability of the dependent variable was calculated by computing reliability coefficients for each of the two replicated scenarios and then averaging the two reliability coefficients. The reliability estimate of this measure was .73.

*Organizational commitment.* Organizational commitment was measured by the 15-item Organizational Commitment Questionnaire (Mowday, Steers, and Porter 1979). Reliability for our study was .85.



*Job satisfaction.* Job satisfaction was measured by the 20-item Minnesota Satisfaction Questionnaire (Weiss, Dawis, England, and Lofquist 1967). Reliability for our study was .86.

*Pay satisfaction.* Pay satisfaction was measured by the 18-item Pay Satisfaction Questionnaire (Heneman and Schwab 1985). Reliability for our study was .91.

*Fairness orientation.* Fairness orientation was assessed by the Comparative Emphasis Scale (CES), a survey developed and tested by Ravlin and Meglino (1987).

*Demographic variables.* Information such as organization tenure, age, gender, and education were collected from specific questions on the survey.

### *Analyses*

The data set used for the analysis was constructed by duplicating individual difference variables and then appending these to the four within-subject manipulations and corresponding ratings of fairness (18 for each individual). Conceptually, duplicating between-subject factors is appropriate because a between-subject factor can affect the respondent's reaction to each scenario. Statistically, this is appropriate because each reaction to a scenario is an independent event, and each event becomes a dependent variable (Hays 1988). Since each of the 266 respondents reacted to 18 scenarios, the sample size used for the analysis was 4,788 ( $18 \times 266$ , less cases deleted due to missing values). The problem created when duplicating variables is that observations are no longer independent from one another. This means that there will likely be a positive correlation between error terms (autocorrelation), violating an assumption of ordinary least squares (OLS) regression (Kennedy 1985). Therefore generalized least squares (GLS) was used. GLS produces unbiased estimates of regression parameters and error terms and, thus, is well-suited to deal with autocorrelated errors (Hanushek and Jackson 1977).

### **Results**

Table 1 displays the GLS results for the pooled sample. With the exception of effort, the factors of responsibility, performance level, and need influenced perceptions about procedural justice. As expected, the attitudinal factors job satisfaction, pay satisfaction, organizational commitment, and fairness orientation explained a significant amount of variance in perceptions of procedural justice. Among the demographic factors, only

TABLE 1  
Analysis of Covariance Results (Generalized Least Squares Estimates)

Source	Sum of Squares	DF	F	Omega Squared
<i>Between-Subject Factors</i>				
Education	2.01	1	1.96	0.0030
Age	12.23	1	11.90**	0.0025
Sex	1.04	1	1.01	0
Pay satisfaction	36.57	1	35.56***	0.0017
Job satisfaction	7.73	1	7.52*	0
Organizational commitment	6.27	1	6.10*	0.0031
Fairness orientation	26.31	1	25.58***	0.0011
<i>Within-Subject Factors</i>				
Effort	1.63	1	1.59	0
Responsibility	1423.47	1	1384.25***	0.1414
Job performance	2155.34	1	2095.97***	0.2151
Need	1106.25	1	1075.78***	0.1094
Explained	5231.76	11	465.17***	0.5276
Residual	4674.77	4546		
Total	9936.53	4557		

\*  $p < .05$ ; \*\*  $p < .001$ ; \*\*\*  $p < .0001$

age significantly influenced perceptions of procedural justice. Specifically, older employees were significantly more likely to judge that the procedures used to make pay raise decisions were fair. To the contrary, there was not a significant difference in justice perceptions based on either education or sex.

Table 1 also shows omega squared coefficients, which indicate the relative strength of the effects (Keppel 1982). While the coefficients appear small, several points should be kept in mind. First, omega squared coefficients do not have a comparable interpretation to  $r^2$ , and, in fact, are always less than  $r^2$  (Keppel 1982). Second, since the distributions of omega squared coefficients are unknown, it is impossible to make a conclusive judgment of how big or small each coefficient is. The interpretation of each coefficient is bound to the sample from which it was derived. Third, the coefficients are best used to compare the relative strength of effects within a sample. Cohen (1977) suggests that a "small" effect in the behavioral and social sciences is a value of .01, a "medium" effect is .06, and a "large" effect is .15. To that end, it is clear that performance level exceeds the convention for "large" effects, and both responsibility and need exceed the convention for "medium" effects. The omega squared coefficients for all the between-subjects factors fell short of the convention for "small effects."

## Discussion

This study examined how employees evaluate the fairness of factors used in the pay raise decision process. The results of the analysis on perceptions of the procedural fairness of pay raise decisions were consistent with past research. As noted, performance level, responsibility, need, pay satisfaction, job satisfaction, fairness orientation, and age were all significant in explaining variance in the model. Among the significant effects, performance level, responsibility, and need exerted the most noteworthy influence on perceptions of procedural justice. The relatively stronger effect of pay satisfaction as compared to organizational commitment differed from prior expectations and evidence (Folger and Konovsky 1989). The results also revealed that fairness orientation explained perceptions of procedural justice. This finding represents a contribution since fairness orientation has not been examined in employees' perceptions of procedural justice.

The results indicate that employees differ in their valuations of the procedural justice of the factors used in the pay raise decision process. Scientifically, this is an important finding in that previous procedural justice research has focused on the antecedents and the effects of procedural justice rather than on whether individuals differ in their perceptions of procedural justice (Lind and Tyler 1988). This finding provides the rationale for further investigation into what between-subject factors distinguish groups of individuals in their perceptions of procedural justice.

Practically, the significance of the between-subjects factors indicates differences that should be recognized by union leaders and managers in their dealings with employees. For instance, since age is related to perceptions of procedural justice, younger employees (more so than older employees) may need to receive fuller explanations of procedures used. Research has shown that judgments of procedural justice are affected by the adequacy with which formal decision-making procedures are explained and that adequate explanations of the basis for the decisions have been found to enhance perceptions of the fairness of the procedures (Greenberg 1990). Second, the results indicate the strong effect of pay satisfaction on perceptions of procedural justice. Consequently, employees who are dissatisfied with their pay are more likely to view the pay raise decision process as being unfair, possibly even in the event of objectively fair pay procedures.

The preponderance of significant results in this exploratory study supports the need for further research in perceptions of fairness in procedures where employees have no voice. While the factors examined in this research accounted for a significant proportion of variance in procedural

justice perceptions ( $\omega^2 = .5276$ ), these results also indicate that other factors exist that contribute to procedural justice perceptions. Accordingly, we encourage researchers first to develop viable alternative nomological nets for the construct of procedural justice. Then research should test these theories.

In conclusion, the present study identified both within- and between-subject factors that contribute to judgments about the procedural justice of pay raise decisions—an organizational function in which employees have no voice. Several within- and between-subject influences were found to contribute to the judgment of procedural justice. The large main effects found in this exploratory study support the need for further research.

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# Collective Voice and Employee Absenteeism: A Review

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One of the most influential accounts of collective bargaining as a method of dispute resolution in North American industrial relations during the 1980s was the exit-voice framework (Freeman and Medoff 1984). Adapted from the initial work of Hirschman (1970), this framework argues that there are two principal methods by which employees resolve employment disputes. First, there is the method of “exit-and-entry” by which employees leave less desirable for more desirable jobs. Second, there is the method of “voice” by which employees, individually or collectively, attempt to resolve an employment dispute through direct communication with the employer. Individual voice may be exercised through such actions as speaking up or complaining. One of the more notable vehicles for the expression of collective voice in modern society is collective bargaining. Voice through collective rather than individual bargaining is argued to be more effective at resolving employment disputes, because formal organization, backed by the force of law, provides employees with an important source of power that permits them to (1) express discontent without fear of reprisal, (2) establish more favorable work conditions, and (3) challenge violations of established rights (Freeman and Medoff 1984:8-11).

Employees may respond to employment disputes in ways other than by quitting or voicing their concerns. Absenteeism as a form of withdrawal behavior is one potential response. If the exit-voice framework is generalizable as a theory of dispute resolution, employees having access to collective voice should make relatively less use of absenteeism as a form of temporary withdrawal because the collective voice mechanism should better address

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those sources of workplace discontent that might otherwise find expression through absenteeism behavior. Freeman and Medoff (1984) never applied the exit-voice framework to acts of employee absenteeism; however, subsequent studies have examined the effects of unions and/or collective bargaining processes on absenteeism in related (Allen 1984; Leigh 1984; Markham and Scott 1985; Wilson and Peel 1991) or other contexts (Allen 1981a, 1981b; Leigh 1981, 1986). This research has generally failed to provide the negative relation predicted by the exit-voice framework. Rather, unionized workers have been found to have significantly higher (Allen 1984) or not significantly different (Leigh 1984; Markham and Scott 1985; Wilson and Peel 1991) levels of absenteeism or absence rates in comparison to their nonunion counterparts. It is the thesis of this paper that this lack of support in the absenteeism literature can be attributed to important theoretical and empirical limitations in the application of the exit-voice framework to this topic. These limitations make any generalizations about the relationship of collective voice to acts of employee absenteeism of doubtful validity. This paper identifies these limitations and makes recommendations for stronger tests of the collective voice hypothesis through an integrative analysis of behavioral theory and research on employee responses to dissatisfaction on the job.

### **Theoretical Problems**

There are two important theoretical limitations in the application of the exit-voice framework to the study of employee absenteeism. First, absenteeism cannot easily be classified as a form of either exit or voice. Second, the exit-voice framework devotes limited attention to the conditions under which voice mechanisms might not work and the consequences of such failings for employee behavior.

#### *Absence as Exit or Voice?*

Exit refers to a direct attempt to permanently withdraw from an undesirable work environment, whereas voice is a direct and constructive attempt to change a dissatisfying work situation from within. A close examination of the concept of absenteeism, however, reveals that this concept cannot easily be classified as a pure form of either exit or voice (Allen 1984). What is unclear is the extent to which personal, work, and nonwork factors underlie the absenteeism decision. This ambiguity in the literature leads to problems in classifying absenteeism as exit or voice. On the one hand, absenteeism is like exit in that it represents an attempt to avoid an unpleasant work situation, but it is unlike exit in that it offers no immediate solution

to the employee's problem. On the other hand, absenteeism is like voice in that it communicates information to the employer, but it is unlike voice in that the form of communication provided is indirect and hard to discern given the many things that absence can mean. The failure to properly classify absenteeism reduces the predictive power of the exit-voice framework.

### *When Collective Voice Fails: Determinants and Consequences*

The argument that collective voice is more effective than individual voice is rooted in the assumption that collective voice institutions safeguard dissenting employees from the fear of job loss (Freeman and Medoff 1984:9). But while unions provide employees with important substantive and procedural safeguards against fear of job loss, such protections are by no means absolute. For example, the well-entrenched model of residual management rights vests in management the right to act unilaterally, except as specifically limited by a collective agreement (Brown and Beatty 1992). Also, there is a growing body of research on the consequences of use of grievance procedures which shows that both union (Klaas and Di Nisi 1989; Lewin and Peterson 1988) and nonunion (Lewin 1987) employees who file grievances face retaliatory action from immediate supervisors in the form of lower performance ratings and promotion rates. These examples suggest paths by which collective voice institutions might fail to perform their dispute resolution functions effectively. But the exit-voice framework does not speak to these issues. Rather, if collective voice fails, unsatisfied employees are assumed to eventually exit the firm. Exit, however, may not always be a viable option for disgruntled employees with little or no meaningful opportunities to exercise effective voice, particularly where few good alternative jobs exist.

### **Empirical Problems**

The uneasy application of the exit-voice framework to the study of employee absenteeism is compounded by the empirical literature on this same topic. Most notable in this regard are the limitations relating to the operationalization of absenteeism and collective voice criteria.

### *Methodological Problems with Absenteeism Criteria*

Empirical studies that have examined the effects of collective voice on employee absenteeism have generally failed to, first, maintain a distinction between voluntary and involuntary absenteeism and, second, to recognize that absenteeism is but one behavioral response to undesirable work conditions.

With respect to the first point, while the literature generally recognizes that it is absenteeism as a form of temporary withdrawal that the exit-voice



framework is attempting to predict, this dimension of voluntary absenteeism has rarely been measured as such. Rather, exit-voice studies of absence repeatedly use definitions of absence that intermingle or are unable to dissociate voluntary from involuntary forms of absence (Allen 1984; Leigh 1984; Markham and Scott 1985; Wilson and Peel 1991). For example, absence has been measured in terms of (1) a dichotomous measure indicating whether absent or not (Leigh 1984), (2) absence duration (Leigh 1981, 1986; Wilson and Peel 1991), and (3) absence rates (Allen 1981a, 1981b, 1984; Markham and Scott 1985). This limitation in the literature is important because while collective voice institutions may be expected to reduce absenteeism due to temporary withdrawal, they may have an opposite effect on other forms of voluntary absence, as well as involuntary absences (Allen 1981a, 1981b; Leigh 1981, 1986).

With respect to the second point, the exit-voice literature has generally failed to operationalize other behavioral responses to perceived inequity at work. These other employee responses to dissatisfaction might include lateness, shirking, or sabotage (Farrell and Rusbult 1992; Rusbult and Lowery 1985; Rusbult, Farrell, Manious and Rogers 1988). This limitation in the literature is important because each of these behaviors are, to varying degrees, substitutable responses to sources of inequity in the workplace. A failure to control for these alternatives will attenuate the variance explained by any collective voice-absence relationship.

### *Methodological Problems with Collective Voice Criteria*

Most studies examining the effects of collective voice on absenteeism operationalize collective voice through a union status measure (Allen 1984; Leigh 1984; Markham and Scott 1985; Wilson and Peel 1991). However, union or collective agreement status measures of collective voice fail to capture the many alternative ways in which unionization and collective bargaining can influence workplace absenteeism (Allen 1984; Leigh 1981, 1984, 1986). First, unions may be expected to respond to the preferences of older, less mobile workers who may be less likely absent because of the higher opportunity costs of discharge at older age. Second, unions can increase or decrease absence through the offsetting income and substitution effects that accompany the well-known union impact on wages. Third, unions may influence absenteeism through their impact on fringe benefits. For example, sick-leave benefits may be expected to increase absenteeism by reducing the opportunity costs of this same behavior. Fourth, unionization may reduce managerial flexibility in scheduling work, thus increasing the likelihood that absence is used as a substitute for individual preferences for more flexible work hours. Fifth, unionization may be associated with

greater absenteeism if management response effects to unionization such as the substitution of capital or nonunionized personnel for unionized labor, is perceived as a violation of the wage-effort bargain. Sixth, the greater due process and substantive rights of unionized employees in the area of discipline and discharge may increase absence behavior in unionized firms if these greater rights increase the difficulty of dismissing employees who, among other things, are habitually absent. Finally, unions may use absenteeism as a tactic of dispute resolution where the costs of absence as such are low relative to available alternatives. These alternative mechanisms by which unions can influence absenteeism introduce too much measurement error in estimates of collective voice effects on employee absenteeism.

### **Integration with Behavioral Research**

Behavioral research on the cognitive and behavioral reactions of employees to dissatisfaction at work can usefully be integrated into the exit-voice research on absenteeism in order to address some of the above-noted limitations in the literature.

First, the behavioral literature has recognized the unique character of absenteeism as a response to dissatisfaction at work by treating it as a separate response to exit and voice behaviors (Farrell 1983; Farrell and Rusbult 1992; Rusbult and Lowery 1985; Rusbult, Farrell, Manious and Rogers 1988; Withey and Cooper 1989). In this literature, absenteeism forms part of the broader construct of neglect, which reflects a set of behaviors directed at restoring equity to the wage-effort bargain through activities generally unsupportive of the employment relationship such as reduced effort. This is an important source of integration for traditional exit-voice analysis because it makes explicit a route through which voice institutions might fail or perform their functions ineffectively. In particular, the neglect concept offers the potential of moving traditional exit-voice analyses away from the assumption that unsatisfied voicers will eventually leave the firm and opens up the possibility that such employees may choose neglectful options, particularly where both exit and voice costs are high.

Second, while recognizing the limitations in present research's ability to measure voluntary forms of absence, the behavioral literature cogently argues that it is the pattern of such absences that may be the most relevant indicator of this form of absence. Specifically, this literature concludes that measures of absence frequency (e.g., separate incidents) best reflect voluntary or culpable absence (Chadwick-Jones, Brown, Nicholson, and Sheppard 1971; Hackett and Guion 1985; Hammer and Landau 1981; Muchinsky 1977), whereas measures of absence duration (e.g., total days) best reflect involuntary or nonculpable absences (e.g., Chadwick-Jones, Nicholson,

and Brown 1982; Hackett and Guion 1985). In the absence of more discriminating measures of voluntary and involuntary absence, future exit-voice studies should use frequency measures as the best approximation of voluntary absence.

Third, the behavioral literature recognizes the potential threats to the individual of engaging in alternative responses, including collective voice by explicitly modeling employee's instrumentality perceptions of exit, voice, and other response mechanisms (Farrell and Rusbult 1992; Rusbult and Lowery 1985; Rusbult, Farrell, Manious and Rogers 1988; Withey and Cooper 1989). Thus, for example, employees who face high exit costs or risk an adverse response from supervisors for using a formal complaint procedure are much less likely to use exit and voice responses, respectively (Withey and Cooper 1989). Where existing mechanisms are considered ineffective or the perceived costs of using same are high, employees are more likely to respond to frustration in the employment exchange by reducing effort through neglect. The behavioral research has modeled these types of effects in terms of voice costs (Withey and Cooper 1989), employee attitudes toward the instrumentality of their grievance procedure (Allen and Keaveny 1985), and the approachability of their supervisor (Saunders, Sheppard, Knight, and Roth 1992). Generally, the research finds the expected negative relation between the instrumentality of the voice mechanism used and absenteeism or neglectful behavior. Again, this approach provides an improvement over traditional exit-voice analysis because rather than assuming away the issue, attention is focused on whether in fact voice provides an effective remedy to a workplace dispute.

## Conclusions

Applications of the exit-voice framework to the study of employee absenteeism do not generally support the hypothesis that collective voice institutions reduce the use of absenteeism as a form of temporary withdrawal behavior. This lack of empirical support has much to do with a number of important theoretical and empirical limitations in the conception and operationalization of the exit-voice framework itself. These shortcomings in the literature can be overcome by adopting a broader exit-voice-neglect framework which better accounts for the range of collective and individual employee behavioral responses that may emerge in response to workplace problems.

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## DISCUSSION

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Human resource management and employee involvement is a fairly broad topic. In reviewing the three papers for this session, a more descriptive and narrow theme than the session title was sought. The exit, voice, loyalty, and neglect framework seems to be the best common denominator for all three papers. The exit, voice, and loyalty concept was first discussed by Hirschman in 1970, and the concept of neglect appears to have been introduced about 15 years later and described in a study by Farrell and Rusbult (1985). This categorization can be summed up clearly by visualizing a 2 x 2 matrix of the variables.

According to Farrell and Rusbult (1985), behaviors can be either constructive or destructive, and the concepts of voice and loyalty fall in line with being constructive, while exit and neglect can be more destructive. In addition, these responses can be viewed as either active or passive—with voice and exit viewed as active, and loyalty and neglect viewed as passive. These categorizations make sense when one thinks of the definitions of the terms. Neglect has to do with reduced contact and interest in the job, while loyalty has to do with one's intentions to stay in the organization. Exit can be viewed as individuals leaving the organization, and voice occurs when individuals articulate problems or concerns in hopes of changing various consequences or outcomes. Using these four concepts but primarily that of voice, it is now possible to discuss each of the three papers.

Luchak and Gellatly present a nice discussion of absenteeism but could perhaps take the discussion a bit further. In presenting their initial framework, they concentrate on the exit-voice categorization and then treat neglect almost as a new concept. Since neglect has been in the literature since at least 1985 (Farrell and Rusbult 1985), this is perhaps a bit misleading.

To begin with, Luchak and Gellatly may wish to incorporate a more thorough discussion of absenteeism and its consequences to organizations.

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First, some statistics regarding the costs and high incidence of absenteeism may help strengthen the paper. For example, Rhodes and Steers (1990) have quoted absenteeism figures of \$40 billion in costs to U.S. business and \$12 billion to Canadian businesses. Other statistics show that the average estimate of absenteeism in the U.S. was 4.7%. While many causes of absenteeism are justifiable, these figures imply tremendous disruption and costs to organizations. A discussion of some of the costs and subsequent consequences to organizations might help frame the need to investigate absenteeism.

Second, the paper may also benefit from a discussion of the relationship between absenteeism rates and an organization's absenteeism policy. In other words, how an organization addresses absenteeism with respect to overall policies and benefits may have an impact on how employees respond. For example, a 1991 study by Dalton and Mesch found that there was a relationship between how much absenteeism the organization experienced and their policy regarding absenteeism. Other issues such as correlations between age and absenteeism may also be beneficial to explore. A general discussion of absenteeism without connecting it to the larger organization or to other organization factors, such as changing demographics, does not convince the reader that absenteeism is an important topic to be explored.

In the conclusion of the paper, the authors suggest a stronger integration with behavioral research. This is an excellent suggestion, but they need to take this idea much further. There is additional literature that could be cited and additional concepts which could be explored. A few additional suggestions: First, a straightforward model might be offered to put their discussion of absenteeism in a stronger framework. Second, testable hypotheses might be presented as well as some ways to operationalize a study to test their ideas.

Luchak and Gellatly are entirely correct when they say that absenteeism is not easily classified as either exit or voice, but why not consider it to be both? Absenteeism can be both constructive and in some ways destructive. In addition, it may be both an active and a passive response. It is also entirely possible that such things as "voice" may actually be a *cause* of absenteeism, not just a partial way of explaining it.

The paper by DeMarr can also be fit, to some extent, in the exit, voice, loyalty, and neglect framework. Burnout may cause all of these responses in individuals. Moreover, burnout may be categorized as being both constructive and destructive. The negative or destructive consequences of burnout (and stress) are widely known, but it may be that burnout *itself* causes constructive behaviors to occur (both in the individual and organization) in order to address the consequences of burnout. In addition, it may

be possible to use the concept of "voice" in a positive way in organizations, such that burnout is avoided or minimized.

Beyond the connection of burnout and satisfaction concepts to the exit, voice, loyalty, and neglect framework, there are several other points to be made about this paper. First, what is the connection between stress and burnout? While burnout may be a severe form of stress, DeMarr may wish to put a clear distinction in the body of the paper. Since the antecedents, psychological reactions, and many of the consequences appear to be the same from the stress literature, this very literature may be used to strengthen the beginning of the paper. In fact, the conclusions drawn by DeMarr about "reducing stress" almost seem contradictory when the stress literature is absent at the beginning of the paper.

Second, the conclusion of the study—that overtime and role conflict cause burnout—seems almost too basic. As a result, the "so what" question emerges. Yes, this is a different sample of individuals than may have been previously used, but how is the IS professional distinguished from any other professional group, such as managers or air traffic controllers, who have had extensive studies performed and analyzed in the stress literature? An additional distinction that may add to the discussion here covers the literature of Type A and Type B personalities. The primary question that needs to be answered is, What does this study *add* to what is known?

DeMarr could approach this question in two ways. First, she makes a very good point when she discusses the issue of teams. She could take this discussion further and explore the impact that team evaluation or work teams might have on individual stress and subsequent burnout. In other words, the concept of teams as it relates to burnout (perhaps with the IS professional or others) may be the "hook" that is needed to set this research apart and add a new dimension to the literature.

A second way to reframe the discussion may be to bring in the dimension of voice, which was mentioned earlier. If role conflict and role ambiguity are two of the major causes of burnout, then perhaps it is possible through voice to avoid some of the conflict and ambiguity. This may be an interesting dimension to test or at least an interesting concept to use as an explanation for why burnout is different for IS professionals, or how what is learned from them can be applied elsewhere.

The final paper of the session, presented by Dulebohn and Martocchio, also fits nicely into the "voice" categorization. Although they draw on a different literature to discuss their premise that voice impacts perceptions of fairness with regard to pay, the concept of *voice*—that people articulate their views to have an impact in their organization—fits nonetheless.



Dulebohn and Martocchio state that *no* voice in the procedure has a negative impact on the perception of fairness. The same may be true of collective voice, as in the Luchak and Gellatly paper, with regard to other policy issues such as absenteeism. This may be an extension of the idea that collective voice will represent the preferred perception of employees for certain issues. For example, while an organized union may bargain for wages and benefits, employee participation practices such as asking for input from employees about how pay raises should be implemented may represent similar "voice" concepts.

It is certainly true that even with no voice, employees may have different perceptions (both positive and negative) of issues such as procedural justice, but the presence or absence of input opportunities will surely have an impact. It might be interesting for the authors to explore both the constructive and destructive behaviors that could result from employee perceptions of procedural fairness, as the exit, voice, loyalty, and neglect literature suggests. Moreover, both active and passive responses to perceived procedural fairness in pay raise decisions may also be identified.

The exit, voice, loyalty, and neglect framework can be used to explore or explain a variety of human resource and industrial relations issues. Absenteeism, burnout, and perceived procedural justice regarding pay raises are but three issues that may benefit from such a discussion.

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## DISCUSSION

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The paper by Dulebohn and Martocchio makes a useful contribution to the study of employee reactions to pay systems. It provides preliminary insights into which factors affect how employees judge the fairness of criteria used to determine pay raises. In my view, the most interesting aspect of this study, which I would have liked the authors to discuss in more detail, is finding that none of the omega squared statistics for individual differences (between-subject) factors exceeded 0.005! This result suggests the possibility of some "universal" values (at least in their sample) that employees use to judge the fairness of pay raise criteria. Moreover, in contrast with the meritocratic culture promoted by most American organizations, this study suggests that employees think financial need is a legitimate criterion, in addition to performance and responsibility, when deciding pay raises.

I have three suggestions for this paper. First, the authors should explain why they think subjects will recognize "effort," "performance," and "responsibility" as distinct, independent criteria that enter into pay raise decisions. Second, the authors could acknowledge the difference between statistical and practical significance. This is particularly important given the large sample size ( $N = 4788$ ) in their synthetic data set. Statistics that measure the amount of variance explained, such as the omega squared indices they report, depend on the sample variance in the dependent variable. These statistics may not indicate the "effect" of independent variables on the dependent variable. To better describe the practical significance of each independent variable, the authors may consider analyzing "effect sizes" defined as the difference in predicted values for the dependent variable which is associated with the range of scores for each explanatory variable (cf. Champoux and Peters 1987). Third, I would like to see stronger evidence for the lack of individual differences in fairness policy (assuming that is the case). I suggest the authors expand their model to include some cross-product terms representing the interaction between individual differences (between-subject variables) and pay raise criteria (within-subject

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variables). Such interactions would allow this study to examine whether job satisfaction (pay satisfaction, organizational commitment, and/or fairness orientation) moderates how fair employees think it is to use "performance" (or "need") as a criterion when deciding pay raises.

The paper by DeMarr exemplifies two areas with potential value for future research. First, the paper examines whether the construct of job burnout applies outside the human service (helping) professions. Second, it reminds us of the importance of studying individuals with a common profession—information technology in this case. However, the paper's topic should be adjusted because it only reports statistical results concerning the antecedents of job burnout. By focusing solely on the antecedents of burnout, the author could better develop the text. I would like to see the introduction and/or theory sections revised to provide explicit rationales for key considerations and hypotheses. Among other issues, the author could explain in more detail how the three facets (subscales) of the job burnout construct, especially the one labeled "depersonalization," apply to professions outside human services, such as the information technology people she studies. The revised theoretical section could also include a detailed rationale for using role ambiguity, in addition to role conflict, as an antecedent for job burnout. Moreover, the theoretical part of the paper should also explain the nature of the variable termed "job classification" and the mechanism through which it affects job burnout. I would also like to see an operational definition for each variable in the model including "overtime frequency," "multiple projects," and "job title."

DeMarr's paper is based on a multivariate model. Figure 1 describes the concurrent effect of the same set of antecedent factors on job satisfaction and on each of three facets of job burnout. Therefore the paper should analyze the covariance structure for all the variables included in the model. I would like to see a revised results section that includes a table with correlations among all variables measured in the study. Such correlations would support the discriminant validity of job burnout relative to job satisfaction. Moreover, to better test the model portrayed in Figure 1, the paper should apply some multivariate technique, such as path analysis or multivariate regression analysis, which recognizes that job satisfaction and the three burnout facets are correlated and respond to the same set of independent variables.

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### III. RETIREMENT TRENDS AND PROSPECTS IN THE NEXT CENTURY

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## Older Union and Nonunion Workers and their Jobs in the Health and Retirement Survey

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Researchers from a consortium of government and academic institutions across the country recently collaborated to mount the first wave of a unique, new longitudinal survey of older Americans known as the Health and Retirement Survey (HRS). This study, which focuses on people age 51-61 years old in 1992 and follows them through time, supplies a host of new insights into older workers' labor market successes and failures and the rewards and problems they face on the job. It also provides information of interest to industrial relations researchers on the benefits and job characteristics of union and nonunion workers who are approaching retirement age.

This paper uses data from Wave 1 of the HRS to describe some early findings about the labor market activities and jobs of this cohort of older workers. Summary data are offered on work and retirement, benefits (pensions and health insurance), and information on job characteristics shaping older workers' employment outlook.<sup>1</sup>

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A central aim of the paper is to compare outcomes of those who are covered by a union on their job and those who are not. The decline in unionization has been well documented.<sup>2</sup> But members of the HRS are among the cohorts that have the greatest seniority and, thus, should be subject to the strongest protection by unions. In view of the weakening of unions in recent decades, just how strong is that protection? How important is it to take account of the role of unions in trying to understand the retirement behavior and forces shaping retirement among the cohorts who are just approaching retirement age?

### Work and Retirement in the HRS

Before examining the union status and employment conditions of those who have jobs, it is appropriate to consider the pattern of labor force participation by members of the HRS cohort.

Looking first at labor market attachment data (Table 1), the figures show that a majority of people age 51-61 worked for pay. Almost four-fifths of the men (79%) and three-fifths of the women (60%) were employed at the time of the survey. Among the employed respondents, 23% were covered by a

TABLE 1

Work and Retirement Patterns in the Health and Retirement Survey

	Men				Women			
	All	White	Black	Hispanic	All	White	Black	Hispanic
<i>Current Employment Status (%)</i>								
No current job	21	19	33	29	40	39	40	54
Have job	79	81	67	71	60	61	60	46
of which: % union	25	23	37	28	19	17	34	21
<i>Alternative Definitions of Retirement (%)</i>								
Self-reported retired	15	14	25	19	28	28	29	38
Some work < 25 hours/ week	5	4	4	2	10	10	9	8
Some work < 1000 hours/ year	4	4	4	3	7	7	8	7
Left 10+ year job after age 45	16	17	11	12	8	8	9	4
Left 20+ year job after age 45	9	9	5	2	2	2	2	0
Number of observations	4533	3634	674	225	5145	3945	952	248

*Note:* Percentages in all tables are calculated using survey weights and include age-eligible HRS respondents (age 51-61 in 1992) from the HRS Beta Release tape. Numbers of observations are approximate for self-reported retired and work < 25 hours/week and exact for the other rows.

union contract, a figure well above the contract coverage rate in 1988 of 18.8% for the employed labor force (see Curme et al. 1990). However, perhaps more striking are the percentages who are *not* employed. Among HRS men, 21% had no job, and the nonemployment rate for blacks and Hispanics was closer to a third. Nonemployment rates for women were double those of men; however, a higher proportion of black and Hispanic women reported having a job than white women.

Further investigation into HRS respondents' work status indicates that a substantial minority considered itself retired—15% of the men, and 28% of the women—despite the relatively young age of the group. More of the nonwhite respondents reported themselves retired, as compared to their white counterparts. These high self-reported retirement rates are surprising because the sample was too young to receive social security benefits (which for most would be available at age 62, at the earliest), and few reported receiving pension benefits.

The next panel of Table 1 offers an alternative (and in some ways more objectively quantified) yardstick to measure labor market attachment. One such measure focuses only on hours of work and asks employed persons if they worked fewer than 25 hours per week or fewer than 1,000 hours per year. It is interesting that the fraction of the group in these "partial" retirement jobs did not differ by ethnic group, though women were more than twice as likely to be partially retired than men. The HRS also asked about recent changes in employment. Sixteen percent of the men claimed to have left a job after age 45 that had lasted 10 or more years, with 9% having spent 20 or more years on that job. Thus even in this relatively young cohort (most of whom were not yet eligible for pensions), many had already experienced a major job change. Half as many women as men (8%) said they had left a long-time (10+ year) job since the age of 45, and only one-quarter as many women had worked 20+ years at one job. Clearly there remain persistent sex differences in job duration and labor market transitions near the end of the worklife, and the HRS makes it possible to study many of these.

In addition to exploring peoples' actual current and past work status, the HRS also asked respondents about their retirement plans. The data in Table 2 summarize workers' expectations with regard to future retirement behavior. Not surprisingly, based on past trends, most people expect to retire early. More than one-quarter of the sample indicated that they did not plan to work after age 62 (with more women and blacks falling in this group), and union members were 10% more likely to indicate they would not be working after age 62 than nonunion workers. One-half the workers indicated that they were certain to retire by age 65. Union members

TABLE 2  
Retirement Plans and Expectations of Workers in the Health and Retirement Study

	Sex			Ethnicity			Union Status	
	All	Men	Women	White	Black	Hispanic	Union	Non-union
<i>% Plan to work after age 62</i>								
No chance	28	25	32	27	36	28	36	26
Certain to work	22	25	19	22	20	24	16	24
<i>% Plan to work after age 65</i>								
No chance	50	46	54	49	51	44	63	46
Certain to work	8	10	7	8	9	11	5	9
<i>% Expect to lose job next year</i>								
No chance	55	54	55	55	55	57	60	55
Certain to lose	2	2	2	2	2	2	2	2
<i>% Expect to find another job if laid off</i>								
No chance	26	28	25	26	28	27	38	22
Certain to find	16	16	15	16	20	21	12	17
<i>% Expect that health will limit activity in the next decade</i>								
No chance	18	18	18	18	16	22	19	17
Certain to limit	5	5	5	4	7	6	4	5

*Note:* Percentages include age-eligible HRS working respondents (age 51-61 in 1992) from the HRS Beta Release tape. Union status refers to whether the job is covered by a union contract.

reported an almost two-thirds probability of leaving employment by then, while the probability for nonunion workers is less than half. All in all, the HRS cohort planned not to work very much longer, and a relatively large group was quite certain about this forecast. Conversely, very few were confident about working well into their 60s: only 22% of the respondents stated they would certainly be on the job after age 62, and only 8% agreed that they were certain to work after age 65, with union workers expecting to retire earlier with much greater certainty.

It might be thought that so many HRS respondents in a group still relatively young for retirement felt that they would not be working into their mid-60s because they were afraid of losing their jobs, perhaps due to the national trend in layoffs experienced over last decade. However, this possibility seemed fairly unlikely to the HRS respondents: more than half of the respondents reported that there was no chance at all of losing their jobs in the next year, irrespective of sex, union status, and ethnic grouping. This confidence regarding job security must be tempered by the report that few

of the workers (16%) felt they could find a new job if their current one disappeared. Union members were slightly more secure in their outlook on retaining their current job than nonunion members and substantially less confident of finding a new job if they lost their old one. Further circumscribing the job outlook for this cohort is the fact that only 18% of the sample were confident that health problems would not limit their activities within the next decade.

While the idea that union workers are constrained to work more hours than they would like has received some currency, at least in 1992 the constraints seemed to be in the opposite direction. Thus, for example, 18% of male union members reported that they would like to work more hours (in results not tabulated here), while 13% of nonunion workers reported that they would like to work more hours.

### **Compensation and Benefits in the HRS**

Compensation data collected for HRS respondents includes information on current pay, health insurance coverage and pension status, as well as information on benefit continuation expected after retirement.<sup>3</sup> Focusing on self-reported pay, in earlier work we noted that full-time employed men had hourly wages that were 45% higher than their part-time counterparts, while on an annual basis, full-time male workers earned more than three times as much. Among women, full-timers earned about a third more on an hourly basis and over three times more per year (Gustman et al. forthcoming).

For men, union members had slightly lower wage earnings in 1991 (\$35,000) than did nonunion members (\$37,500). However, these statistics do not control for other differences such as schooling. Even so, wage earnings in 1991 among female union members were \$24,400, substantially in excess of the wage earnings of nonunion members at \$17,700. Much of that difference is due to the greater prevalence of part-time work among those women without union coverage.

To provide a comparison with union effects estimates in multivariate equations, we also ran standard earnings equations with the natural log of the hourly wage as the dependent variable and a dummy variable indicating union coverage on the right hand side, along with sets of dummy variables to standardize for schooling, marital status, race, and age. The coefficients on the union coverage variable are .20 for men and .27 for women, with t-statistics of 6.32 and 8.04, respectively.<sup>4</sup>

HRS respondents in Wave 1 were asked if they were covered by a private pension plan and what type of plan it was if they had one. Table 3 shows that among workers age 51-61 (excluding the self-employed), two-thirds reported having pension coverage. Consistent with earlier surveys,



TABLE 3  
Pension and Health Benefits of Workers in the Health and Retirement Study

	All	Union Status		Firm Size		Industry	
		Union	Nonunion	Large	Small	Mfg.	Nonmfg.
<i>Employee Pension Coverage and Plan Type (%)</i>							
Has Pension	67	89	59	81	43	77	64
Of those with pension:							
DB only	42	58	33	43	38	37	44
DB & DC	13	14	12	15	6	13	13
DB & 401(k)	11	9	11	12	3	15	9
DB, DC & 401(k)	2	1	3	3	1	4	2
Any form of DB	68	82	59	73	48	69	68
DC only	15	9	19	11	27	11	17
401(k) only	12	6	16	11	18	14	12
DC & 401(k)	3	1	4	3	4	3	3
<i>Employee Health Insurance Coverage (%)</i>							
Has health insurance	87	97	83	93	81	92	85
Of those with health insurance:							
Coverage from current job	79	88	76	84	71	89	76
Coverage after retirement:							
Yes	69	79	64	73	54	71	68
Don't know	17	13	18	14	21	16	17

*Note:* Percentages include age-eligible HRS employed respondents (age 51-61 in 1992) who were not self-employed from the HRS Beta Release tape. DB = defined benefit pension; DC = defined contribution pension; large firms are defined to be those with at least 100 employees.

the data show that union workers are much more likely to have a pension (89%) than nonunion workers (59%), as are workers in large firms (81%) compared to workers in small firms (43%), as well as those in the manufacturing industry. In other words, the HRS data clearly demonstrate that the majority of older workers rely on employer-supplied pensions for retirement income, and this is overwhelmingly so in the union sector.

Table 3 also contains information on the type of plan covering HRS workers with pensions. The evidence shows that defined benefit plans are by far the most common plan type for this segment of the working population.<sup>5</sup> More than two-fifths of those with a pension had only a defined benefit (DB) plan, and in the union sector, coverage by DB alone went as high as 58%, while in the nonunion sector it is only 33%. Union workers are much less likely to have defined contribution or 401(k) plans. Two-tier or more complex plan offerings were also quite widespread, with a quarter of the workers having a DB plan in combination with some other offering.

In overview, two-thirds of the HRS workers held DB plans as part of their retirement portfolio, and 82% of the union members had them. This is important because pensions of the defined benefit variety of ten subsidize early retirement, while other plan types such as defined contribution or 401(k) plans treat working another year more neutrally (Mitchell 1992; Gustman and Steinmeier 1989). Another interesting point is that 28% of these workers had 401(k) plans alone or in combination with other plan types, underscoring the growth in popularity of these plans in the U.S. over the last decade, but this trend is less important for union workers.

Turning to the second panel of Table 3, it is clear that this cohort of older employees has high levels of health insurance coverage, reaching 87% overall (and 97% among union employees, versus 83% among nonunion workers). A portion of this coverage (about 10%) was attributable to coverage through other family members, leaving about four-fifths of the HRS workers receiving employer-provided health insurance. Somewhat fewer, 69%, reported that they were assured of post-retirement health insurance from their current employer, with rates higher for workers covered by a union contract. Interestingly, many workers with current coverage (17%) did not know if retiree coverage would be provided, which is a strikingly high figure given that many of these workers were very close to retirement, but union workers were better informed than nonunion workers.

### **Quality of Employment in the HRS**

Finally, each HRS worker was asked to describe his or her job's demands and working conditions. This information is of direct interest to researchers examining such things as work and pay satisfaction and also to those seeking to explore links between attitudinal and behavioral outcomes.

Table 4 summarizes what full-time HRS workers said about their jobs' attributes. Focusing first on the top panel, the data indicate that older workers' jobs are quite physically demanding along many dimensions. For example, 49% of the men and 39% of the women report that their jobs required physical effort, and at least half reported stress, pressure to keep up the pace, and repetitious work. Not surprisingly, good eyesight was deemed to be central to almost everyone's job, with 87% of the men and 93% of the women reporting needing to see well for the work. In almost every category, union members reported that the physical demands of their jobs exceeded those of nonunion members.

Intellectual and emotional demands were also high on the list of factors that workers mentioned about their jobs. For example, almost everyone reported that concentration was essential, as was having a good memory. Fewer worked in jobs where they had freedom to decide what to do on the

TABLE 4  
Quality of Employment for Workers in the Health and Retirement Study

	Sex		Men		Women	
	Men	Women	Union	Nonunion	Union	Nonunion
<i>% of Respondents reporting "Almost all/most of the time"</i>						
<i>Job Demands and Characteristics</i>						
<i>Physical Demands</i>						
Good eyesight	87	93	90	86	93	92
Involves stress	64	68	60	66	73	67
Effort	49	39	49	38	50	35
Repetitive work	57	70	64	55	73	69
Keep up pace	50	61	51	48	65	60
Heavy lifting	19	14	24	18	18	13
Stooping	30	24	34	27	31	22
<i>Mental Demands</i>						
Concentration	84	87	84	84	88	89
Need good memory	93	92	92	93	92	93
Freedom to decide	75	69	64	81	63	71
Analyze information	44	42	33	48	49	44
<i>People Demands</i>						
Dealing with people	84	90	78	87	91	90
Friendly work environment	88	90	85	89	87	90
<i>Skill Demands</i>						
Learn new things	52	53	45	55	56	52
Need training	48	44	50	47	50	44
Job more difficult	45	53	57	54	59	51
Computers	23	39	20	25	37	40
<i>Attitudes Toward Work Environment</i>						
Pay is fair	80	72	86	77	74	71
Worker influences pay	42	34	24	51	16	39
Boss likes youth	18	15	19	18	19	14
Pressure to retire	17	14	27	13	23	11
Can partially retire	34	33	24	39	21	37
Don't work for money	37	38	53	72	60	70
Would retire if lost job	29	32	40	24	48	29
Want joint retirement	58	53	56	58	50	55

*Note:* Percentages include age-eligible HRS full-time working respondents (age 51-61 in 1992) from the HRS Beta Release tape. The first panel includes the self-employed, and the second panel excludes them.

job, and about 44% said they needed to use analytic skills on the job. Almost half claimed a need for additional training, and almost as many found their jobs to be more difficult than they had been before. Most jobs required workers to deal with people (85%-90%); such interactions were generally regarded as positive, with most reporting a friendly work environment.

Despite these positives, 17% of the workers (and 27% of the union employees) felt some pressure to retire, and the same overall proportion believed their employers preferred younger to older workers. All in all, older workers saw numerous challenges on their jobs despite many sources of satisfaction.

## Conclusions and Further Developments

Despite the well publicized decline in union coverage and the elimination of opportunities in the union sector, the situation for union members approaching retirement looks similar to the situation in the years when unions were much stronger. Union membership among the cohorts approaching retirement is still 25% for males and almost 20% for women. The union members have much higher coverage by pensions and health insurance. The pension plans covering union members are much more likely to be of the defined benefit type and, thus, are much more likely to encourage earlier retirement. And as a result, union members are more likely to expect to retire earlier. Moreover, union members are more secure in their jobs, although they are less optimistic about finding another job if they should lose their current one. All in all, despite the decline in union status, those with long tenure continue to enjoy traditional union benefits. As a result, anyone who wishes to understand the behavior of the cohorts that are within a decade or so of retirement must consider the special environment and incentives facing the union workers who are members of those cohorts.<sup>4</sup>

## Acknowledgments

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## Endnotes

<sup>1</sup> The data in this paper are from the Wave 1 HRS Beta release tape which contains all survey respondents; tabulations use weighted data to retain population representativeness. For additional discussion of the HRS, see Brown (forthcoming), Gustman et al. (forthcoming), Hurd and McGarry (forthcoming), Juster and Smith (forthcoming), Moon et al. (forthcoming), and Smith (forthcoming).

<sup>2</sup> For example, see Curme, Hirsch, and Macpherson (1990).

<sup>3</sup> Because the HRS is not a nationally representative survey of employers or their employment practices, the data set cannot be used to directly address the question of why specific companies offer particular combinations of compensation and employment offerings; see Gustman, Mitchell, and Steinmeier (1994).

<sup>4</sup> Adjusted R-squares are .148 in the equation for men and .208 in the equation for women.

<sup>5</sup> Few pension-covered HRS workers in this age bracket (<3%) could not classify their plan type; in the 1983 Survey of Consumer Finances, by contrast, 19% of pension-covered respondents could not identify their plan type (Mitchell 1988).

<sup>6</sup> Additional questions that can be addressed using the HRS on older workers' retirement, compensation and benefits, and health status are outlined in Gustman et al. (forthcoming); here it suffices to note that persons wishing to obtain the data for research purposes should contact the University of Michigan's Survey Research Center (SRC) directly. Public-use files will be released soon, including social security earnings summary measures as well as imputed social security and pension values at retirement. Researchers wishing to suggest new questions that might be added to future waves of the survey should contact the SRC, noting how their proposed questions contribute to the understanding of the health and retirement of older American workers.

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# Public Sector Pensions: Can They Meet the Challenge?

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Policymakers in many nations have begun to perceive the need to reform pension structures in order to meet the retirement income needs of the world's aging population. One way to prepare for these costs is by designing better functioning pension plan structures, in particular by improving public pension plan funding performance. Pension funding deserves our attention because well-funded plans stand a better chance of having assets on hand to pay promised benefits and tend to reduce the distortion caused by resource misallocation between generations.

This paper examines the determinants of public pension funding in the United States. Though this issue has been the subject of analysis for at least two decades, most previous studies have focused on how funding responds to factors outside of pension policymakers' purview, such as fiscal stress and earnings of covered employees. This paper differs from other work in how pension governance affects funding—and governance structures are to a very large degree controllable by policymakers.

We begin by describing how state and local pension plans are structured in the United States and then go on to present evidence on funding patterns of these plans. A model of the determinants of pension funding is then described, and concluding remarks end the paper.

## **Overview of State and Local Pension Governance Features<sup>1</sup>**

Most public sector workers have retirement plans: for instance, in 1990, 96% of full-time employees in state and local governments had a pension (*Employee Benefits* 1992). In the public sector as in the private sector, there are two main kinds of pensions: defined benefit (DB) and

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defined contribution (DC) plans. In a DB pension plan the employer establishes a specified formula defining the retirement income to be paid to each worker. The formula usually depends on the worker's retirement age, final average salary, and years of service. In a DC pension plan, by contrast, the employer establishes an account for each worker and contributes a specified amount each year into the account. In the DC account the worker's retirement benefits are determined by the invested value of these contributions. Because most public sector workers have DB plans (90% of full-time state and local employees in 1990 [*Employee Benefits* 1992]), our discussion of pensions for state and local workers focuses on DB pension plans.

The data set used for this study is drawn from the 1992 PENDAT data file, a cross-section survey of 325 public employee retirement systems (PERS) that together administer 476 state and local pension plans (Zorn 1993). In 1992 these public retirement systems held \$791 billion in assets and covered 10.6 million active members, representing 86% of total state and local pension assets and 83% of active state and local pension members.<sup>2</sup>

This data set shows that state and local pension *plans* are administered within public employee retirement *systems* (PERS) which are typically governed by a board of trustees (or "pension board"). The number of trustees ranges from 3 to 14 across plans, with an average of 8 people per plan. These trustees are either elected by pension members, are appointed to their positions (often by the state governor), or serve *ex officio* (e.g., the state treasurer, the superintendent of schools, and so forth). The composition of the pension board differs between locally and state-administered PERS: trustees elected by pension members constitute more than one-third of the board in locally administered PERS, whereas they represent less than one-quarter of the board in state-administered PERS. Across the whole set of PENDAT plans, typically one-third of trustees were *elected* by pension members. The share of *appointed* trustees in a pension board averaged about one-half, while *ex officio* trustees constituted the remaining one-sixth.

In addition to governing day-to-day administration, pension boards have a variety of other tasks. In the PENDAT file, almost all (90%) public pension boards were granted authority over pension investment policy and about three-quarters (73%) were granted authority to parameterize benefits. These patterns did not differ by the type of plan. Most boards (85%) were granted authority over actuarial assumptions, though here there were some differences by plan type: pension boards of state-administered PERS were more likely to have authority to choose actuarial assumptions than locally administered pension boards.

A common responsibility of a pension trustee board is to hire an executive director, who in turn directs an administrative staff that operates the retirement system. In addition to having an in-house administrative staff, most PERS also hire external professionals such as actuaries, lawyers, and money managers to provide expert services. The number of in-house administrative staff varies widely across different systems: in state-administered PERS there were 2.6 staff per 100 active members and only 1.4 per 100 in locally administered PERS. This difference is probably due to the fact that state-administered PERS were more likely to use in-house, full-time administrative staff, while smaller, locally administered PERS might prefer using external or part-time administrative staff.

Pension boards in the public sector differ in other ways as well, including pension management and reporting practices. In our data set, two-fifths of state and local pension plans required trustees to carry liability insurance, an institutional structure which could be expected to impose funding stringencies on pension boards. Pension financial reporting practices varied widely: in two-thirds of the sampled plans, separate plan reports were issued, while the reports of other plans were integrated with other state and local budgets. More than three-quarters of the PENDAT pension plans conducted actuarial valuations every year, and the remaining plans did so less often: every two or more years.

### **Pension Funding and Actuarial Assumptions**

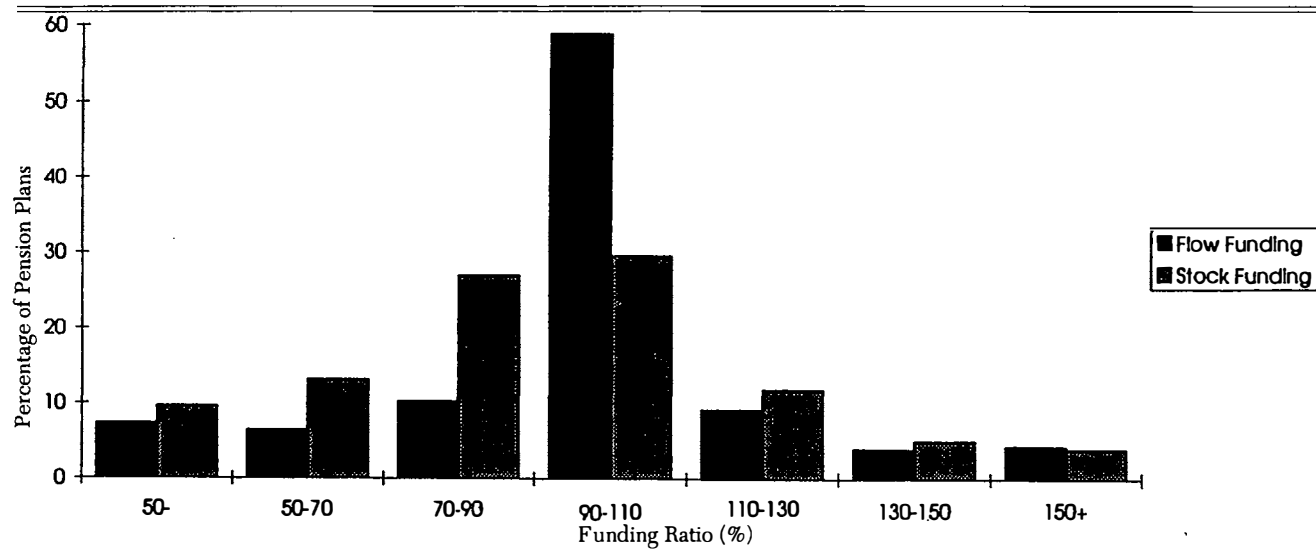
One measure often used by researchers examining public pension plans funding status is the *flow funding* ratio, or the fraction of the employer's actual annual pension contributions to the actuarially required pension contributions. This measure indicates current funding practices and should be distinguished from a second funding measure oftentimes reported as the *stock funding* ratio, which is the ratio of the market value of accumulated pension assets to the pension benefit obligation (PBO). This latter measure reflects a pension plan's long-term funding pattern.

The distribution of state and local pension plans funding ratios is presented in Figure 1. While the average funding ratio using the flow funding measure is around 100%, this is a deceptive statistic because it conceals wide variation in funding practices. About one-third of the PENDAT state and local pension plans appear to be underfunded on an annual basis, with some 7% of pension plans having flow funding ratios below 50%. Stock funding ratios also vary a great deal across state and local pension plans. More than two-thirds of pension plans had accumulated assets less than their pension benefits obligations, and about 10% had less than half the assets needed to meet long-term pension obligations.



FIGURE 1

Flow and Stock Funding Ratios of State and Local Pension Plans in 1992



It is possible that the data sketched in Figure 1 are overly optimistic, since employers' own reported funding ratios are suspected to be sensitive to actuarial assumptions chosen by the pension plans themselves when calculating pension liabilities. Projections of benefit flows into the future require a variety of assumptions concerning rates of return on investment, future salary growth rates, employee turnover, disability rates, and mortality rates. Of these, the assumptions regarding investment returns and salary increases are especially critical, because even small changes in these two assumptions can result in large changes in computed pension liabilities. Previous work showed that small changes in interest rate assumption can greatly alter projected funding problems. For instance, a 2% change in the interest rate around a 7% baseline may cause pension liabilities to increase more than 60% or fall by almost 40% (VanDerhei 1994). Therefore, differences in actuarial assumptions employed by pension plans must be taken into account when assessing the extent to which pensions are well or poorly funded.

We can assess whether pension managers are strategically selecting actuarial assumptions using PENDAT information. In this data file, rates of return assumed by state and local pension plans averaged 7.7% in 1992 with a standard deviation of about 0.7%.<sup>3</sup> These figures are virtually identical to the interest rate figures reported in a survey on a smaller set of public pension plans five years before (Zorn 1990). A second datum that concerns us is the *spread rate*, which is defined as the difference between a public plan's assumed interest rate and its assumed salary growth rate. In 1992 the spread rate averaged 2.1%, which also resembled closely the figures reported five years earlier. However, the range of spread rates has grown over time: in 1992 the lowest spread rate was -2.5% and the maximum was 14.5%, whereas five years before, the rate ranged only from -2.0% to 4%. Does the increasing variation in assumed spread rates imply that actuarial assumptions have been strategically chosen by public employers to alter their funding targets? This question is analyzed in the next section.

### **Governance and Public Pension Plan Funding**

The effects on pension funding of board composition authority as well as pension management and reporting practice were discussed in Mitchell and Hsin (1994) and are summarized as follows: (1) Public pensions may be better funded when participants are more represented on pension boards because they play a "watchdog role." Elected trustees may be more concerned about benefit security than appointed and *ex officio* trustees and may be less likely to be exposed to political pressures to manipulate pension funding patterns. (2) Given pension board composition, boards with

authority over benefit amounts and actuarial assumptions may produce higher funding outcomes. This is because greater board authority may reduce public sector employers' ability to offer benefit increases and select actuarial assumptions that reduce pension contributions. (3) Pension funding may be improved when trustees have liability insurance, since the private insurance market can impose limits on public employers' pension underfunding. (4) Pension plans that issue their own financial reports or conduct frequent actuarial evaluations can make it easier to monitor public plan contribution and benefit patterns, which in turn may improve pension funding.

Some of these hypotheses have been examined in previous work. For example, Mitchell and Hsin (1994) used 1990 public pension data and found that pension board composition and reporting practice had no significant effect on flow funding ratios. On the other hand, flow funding ratios appeared to be higher when pension boards had authority over actuarial assumptions but lower when the public board trustees were not required to carry liability insurance. For stock funding ratios, the authors found that public pensions were less well funded when participants were more represented in pension boards but better funded when board trustees had liability insurance.<sup>4</sup>

The present study extends our prior work by using more recent data (the 1992 PENDAT) and investigating the choice of actuarial assumptions assumed exogenous in Mitchell and Hsin (1994). In particular, we are interested in whether actuarial assumptions appear to be strategically chosen so as to curtail required pension contributions. Mitchell and Smith (1994) used an earlier and much smaller data set of public pension plans surveyed in 1988-89 and found few statistical links between the plans' assumed interest rates and wage growth rates. Nevertheless, that relationship might be stronger in the current economic environment and, hence, worthy of investigation.

Two multivariate regression models are used to explore the determinants of public pension actuarial assumptions. We first examine the determinants of state/local pension plans' assumed interest rate and next examine the correlates of the public plans' assumed spread rate. Explanatory variables in both models are the same, including pension governance features, fiscal stress,<sup>5</sup> union status, and the type of pension plan examined.

Estimated effects of pension governance and fiscal stress on pension assumptions appear in the first two columns of Table 1. We find here that fiscal stress and pension board composition do seem to play a role in influencing plan actuarial assumptions in the PENDAT file. Specifically, an increase in local unemployment of 1% above the long-run level would be

TABLE 1  
Multivariate Analysis of Actuarial Assumptions  
(OLS, estimated s.e. in paren.)

Explanatory Variables	Assumed Interest Rate	Assumed Spread Rate	Actual Contributions (% of payroll)	Actual Contributions (% of payroll)
REQCONT			0.71** (0.05)	
<i>Fiscal Stress</i>				
UNEMPD	0.10** (0.04)	0.11** (0.05)	-0.83 (0.60)	-1.14* (0.63)
ADJSTOCK	-0.005** (0.001)	-0.004** (0.001)	-0.02 (0.01)	-0.05** (0.02)
<i>Governance Structure</i>				
BDELMEM	-0.003** (0.001)	-0.002* (0.001)	0.004 (0.02)	0.06** (0.02)
BDELMEM • UNEMPD	-0.001 (0.001)	-0.003** (0.001)	0.01 (0.01)	0.05** (0.02)
LIABINS	0.08 (0.07)	0.07 (0.08)	1.18 (0.99)	1.78 (1.36)
REPSOLO	0.07 (0.07)	-0.02 (0.08)	0.60 (1.04)	1.13 (1.42)
FREQVAL	-0.01 (0.16)	0.11 (0.18)	-8.56** (2.46)	-12.37** (3.35)

\*\*Indicates significance at the 0.05 level and \* at the 0.10 level.

*Notes:*

1. REQCONT is the employer's annual actuarially required contribution as a percentage of payroll; UNEMPD is the deviation of unemployment rate from the average of previous five years; ADJSTOCK is the ratio of reported pension assets to adjusted PBO; BDELMEM is the fraction of pension Board elected by pension participants; LIABINS is equal to one, if the Board is covered by liability insurance; REPSOLO is equal to one if the plan issues own financial report; FREQVAL is frequency of independent performance evaluation.

2. Additional controls include a constant term and variables indicating the rate of return on pension investment, union status, type of plans, and the ability to carry over deficits.

associated with a 0.1% rise in the public pension plan's assumed interest rate and spread rate. Adding a participant-trustee on the pension board is associated with a 0.04% decline in the assumed interest rate and a smaller negative 0.02% decline in the spread rate. Though these appear to be small response elasticities, it must be understood that pension liabilities are quite sensitive to even tiny interest/spread rate changes. Few other factors are consistently significant across pension management and reporting practice variables. In particular, assumed interest and spread rates do not seem to be systematically related to whether the board trustees had liability insurance, whether they were valued more frequently, and whether the reports were jointly or separately issued.

Our next concern is to analyze the influences of pension governance on funding outcomes. This is complex because public employers' annual actual relative to required pension contributions depend directly on the key actuarial assumptions just discovered to be endogenous. Hence these are expected to be influenced by pension board composition and fiscal stress, implying that regressing funding ratios on board composition probably produces biased results. This hypothesis can be tested by comparing two models of actual pension contribution, one which includes the required contribution as an exogenous explanatory variable, while the other model does not.

Our test of this hypothesis appears in the final two columns of Table 1. Here we report the estimated influences of pension governance and fiscal stress on public employers' actual pension contributions and find that the effects of pension board composition appear to be underestimated if the strategic selection of actuarial assumptions is not taken into account. When required pension contributions are included as an explanatory variable, the estimated effect of board composition in the actual contribution equation are not significant. When required pension contributions are excluded in the spirit of a reduced form model, the governance effects become positive and significant. Coefficients of other explanatory variables are not significantly different between two models.

## Conclusions

This paper investigates the influence of pension governance on public pension plan funding behavior. Public plan underfunding is of considerable concern because it may threaten retirees' income security and distort resource allocation between generations. Our analysis of state and local pension plans in the U.S. suggests that pension board composition is influential in determining public pension funding. Specifically, having more participants on pension boards seems to produce more conservative actuarial assumptions.

A general conclusion from this study, as well as prior research on public pension funding, is that fiscal and governance factors have probably affected public pension funding patterns for many years. Nevertheless, the ways in which public sector employers have responded to these influences appear to have changed over time. Evidence from the late 1980s indicated that employers adjusted their actual contributions as the pension environment changed, while in the 1990s they appear to have taken a different tack: namely, altering actuarial assumptions and required contribution targets to meet changing situations. As government officials confront increasingly tight budgets and pension participants seek to become more involved in managing their pension plans, it will become increasingly important to select defined benefit actuarial assumptions carefully.

## Endnotes

<sup>1</sup> This discussion describes only the pension governance features that are influential in determining pension funding. For a more comprehensive description of pension governance see Hsin (1994).

<sup>2</sup> Although the public employee retirement systems covered in the PENDAT data file represent the vast majority of state and local pension participants, they are not necessarily representative of all public employee retirement systems. In fact, they are among the largest in the nation and probably better managed than many smaller systems; as a consequence, interpretation of results of this study must bear this caveat in mind.

<sup>3</sup> Assumed interest rates appear comparable between public and private sectors. In 1987, the median interest rate assumption used for all private pension plans with 100 or more participants was 8.0% (Applebaum 1992).

<sup>4</sup> In addition to pension governance, the authors also examined the influences of other variables. One important finding is that stock funding ratios were lower when states experienced fiscal stress.

<sup>5</sup> Pension plans' external fiscal stress is proxied by deviations in local unemployment rate; the internal fiscal stress is proxied by the stock funding ratios adjusted by a common interest rate and a common wage growth rate.

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# Averting the Old Age Crisis

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Systems providing financial security for the old are under increasing strain throughout the world. Rising life expectancy and declining fertility mean that the proportion of old people in the general population is growing rapidly. On the one hand, this signals a success of development, but on the other hand, it creates new social and economic problems. Extended families and other traditional ways of supporting the old are weakening. Meanwhile, formal systems, such as government-backed pensions, have proved both unsustainable and difficult to reform. In some developing countries these systems are nearing collapse. In others, governments are on the verge of adopting the same programs that are spinning out of control in middle- and high-income countries. The result is a looming crisis that threatens the old and, even more, their children and grandchildren, who must shoulder much of the increasingly heavy burden of providing for the aged.

For these reasons, the World Bank three years ago initiated a critical study of old age security arrangements around the world. In this paper I summarize our major findings and recommendations.<sup>1</sup> The report draws together evidence from over 100 countries, analyzes policy alternatives, and provides a framework for identifying the policy mix most appropriate to a given country's needs. While the emphasis is on problems in developing and transitional economies, there are strong implications for industrialized countries as well.

## Scope of the Problem

Today as the world's population ages, old age security systems are in trouble worldwide. Consider these facts:

*Worldwide demographic change.* In 1990 almost half a billion people, about 9% of the world's population, were over 60 years old. By 2030, 16%

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will be over age 60. Every region is aging. While industrialized countries have the oldest populations now, most of this growth will take place in developing countries, over half of it in Asia. By 2030 more than a quarter of the world's old people will live in China alone.<sup>2</sup>

*Accelerated aging.* Because of the broad diffusion of medical knowledge and declining fertility, developing countries are aging much faster than industrial countries did. In France and Belgium it took more than 100 years for the share of the old population to double from 9% to 18% percent. In China that transition will take only 34 years, and in Venezuela, 22. Developing countries will thus have "old" demographic profiles at much lower levels of per capita income than the industrial nations.

*Increased health and pension spending.* The demand for health services increases as countries grow older, since health problems and costly medical technologies are concentrated among the old. Because health and pension spending rise together, pressures on a country's resources and government budgets increase exponentially as populations age.

*Contribution rates that are high and rising.* Payroll taxes for pensions are already over 25% in Egypt, Hungary, Russia, Kyrgyzstan, Brazil, and Italy. As populations age, contribution rates in almost all regions will have to double or treble over the next 30 years, in order to maintain current benefit formulas if pay-as-you-go systems are retained.

*Evasion.* In many Latin American countries over 40% of the labor force works in the informal sector, partly in order to avoid high payroll taxes, and the informal sector is growing rapidly in Eastern Europe. Evasion undermines the system's ability to pay pensions, and it hurts the economy since people who work in the informal sector are often less productive.

*Early retirement.* In Hungary more than a quarter of the population are pensioners, the average retirement age is 54, and the payroll tax for pensions alone is 31%. In Turkey many people retire with a generous pension below the age of 50 or even 40. Labor force participation rates among the old have fallen in most countries over the past 20 years, in part due to public pension plans. Early retirees stop making contributions and they begin drawing benefits, thus doubly hurting the scheme financially—while also depriving the economy of their experience.

*Lost opportunity to increase savings.* Many countries believe they have inadequate national saving which hampers growth, but they have not used their old age systems as a way to induce people to save more, and some economists believe existing systems have induced people to save less.

*Perverse redistributions to upper income groups.* Despite seemingly progressive benefit formulas in the public pension plans of the Netherlands, Sweden, the United Kingdom, and the United States, studies have not found much redistribution from lifetime rich to lifetime poor in these countries. This is partly because the rich live longer than the poor and therefore collect benefits for more years.

*Positive lifetime transfers to early cohorts and losses to their children.* Generally, people who retire in the first 20-30 years of a scheme get positive lifetime income transfers, but their children and grandchildren get back less than they have paid in and lower rates of return than they could have earned elsewhere. In many countries the largest lifetime income transfers within the first generations have gone to the highest wage earners while the lowest income groups are not even covered.

*Old age systems in serious financial trouble and burden the general treasury.* The implicit public pension debt (the present value of amounts owed to current retirees and workers) far exceeds the explicit conventional debt in most OECD countries and sometimes exceeds 200% of GNP. Current payroll tax rates are much less than needed to pay off this debt, and most countries will have a hard time raising them enough to close the gap. As a result, pension benefits or other public goods will have to be cut in the future.

*Inflation without indexation.* Many developing countries have already reneged on their promises by allowing inflation to take place without indexing benefits. In Venezuela the real value of public pensions fell 60% during the 1980s due to inflation. In OECD countries where pensions are usually indexed, benefit cuts will have to be more explicit.

*Limited coverage, funding, and portability in private pension plans.* In most countries privately managed plans are voluntary, they cover a minority of workers, mainly from high-income groups, they are only partially funded, their benefits are not fully portable, and the tax expenditures involved are large.

Thus public pension plans have not always protected the old, they especially have not protected the old who are poor or people who will be old in the future, and they have also hindered economic growth. In addition, the systems are not sustainable in their present form. And most existing private pension systems are limited in scope and real value, especially when unregulated. Although the degree and details vary from country to country, depending on their institutional structures and capacities, the broad patterns are surprisingly similar around the world. To understand how we got

here and where we should go next, the report analyzes the reasons for government involvement in old age security, describes the experience we have had with different systems, and proposes policy alternatives that we believe will do better.

## The Government and Old Age Security

About two-thirds of the world's old people rely exclusively on informal and traditional arrangements for income security. They receive food, shelter, and care from close relatives or extended family and often provide services or resources to the household in return. Economic development weakens these informal arrangements. While family-provided assistance continues to play an important role in all societies, in more industrial societies people are likely to withdraw from productive work, to live alone, and to depend on nonfamily sources of income in their old age.

### *Why Should Governments Get Involved?*

When traditional, informal arrangements break down in other spheres of the economy, they are replaced by formal market arrangements. Why doesn't that happen for old age subsistence? Why do governments everywhere in the industrial world and increasingly in developing countries intervene so extensively in this area?

Depending purely on voluntary actions by individuals to provide for their own old age security leaves several problems: *shortsightedness*—some people may not be farsighted enough to save for their old age and may later become charges on the rest of society; *inadequate savings instruments*—capital markets are undeveloped and macroeconomic conditions unstable in many countries; *insurance market failures*—adverse selection, moral hazard, and correlations among individuals make private insurance against many risks (such as the risks of disability, investment, inflation and depression) unavailable; *information gaps*—people may be unable to assess the long-term solvency of private savings and insurance companies or the productivity of alternative investment programs and cannot reverse their choices when large mistakes are discovered late in life; *long-term poverty*—some people do not earn enough during their working lives to save for their old age, so redistribution is needed to keep them out of poverty.

So government interventions are usually justified on grounds that private capital and insurance markets are inadequate and redistribution to the poor is needed. All too often, however, these interventions have introduced inefficiencies and inequities of their own, and the commonality of these problems suggests that systematic forces rather than random errors are involved.

### *What Can Governments Do?*

Public pension spending as a proportion of GDP has increased closely with per capita income and even more closely with the share of the population that is old. If the relationship between demography and spending continues, public spending on old age security will escalate sharply in all regions over the next 50 years. But government intervention can take and has taken many other forms besides taxes and spending. The government may regulate private pension funds, mandate saving, guarantee benefits, offer tax incentives, create a legal system for reliable financial institutions, dampen inflation to encourage voluntary saving, and so forth. So the important policy questions are not, Should spending on the old increase? And should the public sector be involved? They are, How should the public sector be involved? Are public taxes and transfers the best alternative, or are other types of public interventions and old age arrangements better?

Formal arrangements also differ in ways that go beyond the type and degree of government involvement. Pension funds may have either redistribution or saving and insurance as important objectives. They may specify either their benefits or their contributions in advance—defined benefits versus defined contributions. And they may be financed on a pay-as-you-go basis—current pensions are financed by taxes on current workers—on a largely funded basis—current pensions are financed by prior savings, and liabilities don't exceed accumulated reserves.

For these reasons, it does not make sense to focus on simple public/private distinctions. Instead, it is necessary to open the lens to five sets of questions that distinguish among alternative old age policies and determine their effects: Should the system be voluntary or compulsory (and at what levels)? What should be the relative emphasis on saving versus redistribution and should these functions be combined or provided through separate financing and managerial arrangements? Who should bear the risk of unexpected outcomes—pensioners or others in society? Should the system be fully funded or pay as you go? Should it be managed centrally or decentrally and competitively?

### *Alternative Financing and Managerial Arrangements*

These questions can be answered in many different ways, but three institutional arrangements sum up the most important sets of answers: public pay-as-you-go programs, employer-sponsored plans, and personal saving and annuity plans.

*Public pay-as-you-go plans.* These are by far the most common formal plans. Mandatory coverage is almost universal in high-income countries

and widespread in middle-income countries. As the name suggests, government mandates, finances, manages, and insures public pensions. These schemes offer defined benefits that are not actuarially tied to contributions and usually finance them out of a payroll tax (sometimes supplemented from general government revenues) on a pay-as-you-go basis. And they redistribute real income, both across and within generations.

*Occupational plans.* These are privately managed pensions offered by employers to attract and retain workers. Often facilitated by tax concessions and (increasingly) regulated by governments, these plans tended to be defined benefit and partially funded in the past. But the number of defined contribution plans (in which benefits depend on contributions plus investment returns) and the degree of funding have been increasing in recent years, and these have quite different effects. More than half of all workers are covered by occupational schemes in Australia, Germany, the Netherlands, Switzerland, the United Kingdom, and the United States, but far fewer are covered in developing countries. In Australia and Switzerland occupational plans have recently become mandatory; in Denmark and the Netherlands they are quasi-mandatory as a result of collective bargaining.

*Personal saving and annuity plans.* These are fully funded, defined contribution plans. Workers save when young to support themselves when they are old. Since benefits are not defined in advance, workers and retirees bear the investment risk on their savings. Voluntary personal saving is found in every country (often encouraged by tax incentives), but some countries have made it mandatory. A key distinction is between mandatory saving plans managed by the government (as in Malaysia, Singapore, and several African countries) and those managed by multiple private companies on a competitive basis (as in Chile and soon in Argentina, Colombia, and Peru).

Government policies that mandate, encourage, or regulate largely determine the relative roles of these three arrangements; and most governments have delegated the lion's share of responsibility to public pay-as-you-go plans.

### *Criteria for Policy Choice*

How are we to evaluate alternative policies? The effects of government policies depend on individual responses such as evasion and offsetting actions that reduce other saving, transfers, and work. As a result, each arrangement has broad implications for the operation of labor and capital markets, for the government's fiscal balance, and for the income distribution in society. .

We argue that old age security programs should be both an instrument of growth and a social safety net. They should help the old by facilitating people's efforts to shift some of their income from their active working years to old age, by saving or other means; by redistributing additional income to the old who are lifetime poor but avoiding perverse intragenerational redistributions and unintended intergenerational redistributions; and by providing insurance against the many risks to which the old are especially vulnerable. They should help the broader economy by minimizing hidden costs that impede growth, such as reduced labor employment or productivity, reduced saving, excessive fiscal burdens, misallocated capital, and heavy administrative expenses; by being sustainable, based on long-term planning that takes account of expected changes in economic and demographic conditions, some of which may be induced by the old age system itself; by being transparent, to enable workers, citizens, and policymakers to make informed choices, and being insulated from political manipulations that lead to poor economic outcomes. Few programs fulfill these criteria.

### *Toward a Multipillar System*

One of the prime policy issues in the design of old age security programs is the relative importance of the saving, redistribution, and insurance functions and the role of government in each. Saving involves income smoothing or postponed consumption over a person's lifetime. Redistribution involves shifting expected lifetime income from one person or group to another. Insurance involves protection against the probability that recession or bad investments will wipe out savings, that inflation will erode their real value, that people will outlive their own savings, or that public programs will fail.

A major shortcoming of existing systems is that governments have tried to provide all three functions through a single, earnings-related, payroll-tax financed, publicly managed system. This leads to a complex nontransparent system in which contribution rates are not closely linked to benefits, laying the groundwork for evasion, labor market distortions, political manipulation, and perverse redistribution. The pay-as-you-go method of finance hides the true size of pension obligations and thus gets systems into financial trouble, it fails to encourage saving, it leads to sharply rising contribution rates as populations age and systems mature, and it produces large intergenerational transfers.

### *Separating the Saving and Redistribution Functions*

A central recommendation of the report is that countries should separate the saving function from the redistributive function and place them

under different financing and managerial arrangements in two different mandatory pillars—one publicly managed and tax-financed on a pay-as-you-go basis, the other privately managed and fully funded—supplemented by a voluntary pillar for those who want more.

The public pillar would have the limited objective of alleviating old age poverty and coinsuring against the risks associated with old age. Backed by the government's power of taxation, this pillar has the unique ability to pay benefits to people growing old shortly after the plan is introduced, to redistribute income toward those with low lifetime incomes, and to coinsure against long spells of low investment returns, recession, and inflation.

The public pillar could take one of four alternative forms that are consistent with this limited objective. It could be part of a means-tested program for the poor of all ages, with eligibility criteria taking into account the diminished ability of the old to work and benefit levels taking into account age-linked needs. Alternatively, it could offer a minimum pension guarantee to a mandatory saving pillar. As two other alternatives, it could pay a universal or an employment-related flat benefit that coinsures a broader group. The important point is that it should provide a social safety net rather than higher benefits to higher income groups. Having an unambiguous and limited objective for the public pillar helps to keep benefits modest and tax rates low, thereby minimizing evasion, misallocated labor, and perverse intra- and intergenerational transfers, while allowing space for the development of other pillars.

A second mandatory pillar would be fully funded, would link benefits actuarially to costs, and would carry out the income-smoothing or saving function. This direct link should enable it to avoid some of the economic and political distortions to which the public pillar is prone. Full funding should boost capital accumulation and financial market development. The economic growth this induces should make it easier to finance the public pillar. But a successful second pillar should reduce the demands on the first pillar.

The second mandatory pillar could take two alternative forms: personal saving accounts or occupational plans. The important point here is that it should be privately and competitively managed to produce the best allocation of capital and the best return on savings. The experience of many countries indicates that publicly managed pension funds are likely to earn far less than privately managed funds. Many lost money throughout the decade of the 1980s because they were required to be invested in government securities or loans to failing state enterprises at low nominal interest rates that became negative during inflationary periods. Publicly managed funded plans can become a hidden source of general revenues for government,

which may lead governments to borrow more or spend more wastefully than a more transparent source of revenue would with no market test of productivity and no political accountability. Private decentralized management helps to avoid these problems. But there are three caveats: countries must have at least rudimentary capital markets or the capacity to develop them quickly; careful government regulation is needed to avoid investments that are overly risky or managers who are fraudulent; and the public pillar is needed to fall back on in case investments fail.

Voluntary occupational or personal saving plans would be the third pillar, providing additional protection for people who want more income and insurance in their old age.

Although the redistribution and saving functions would be separated, the insurance function (insurance against inflation, disability, death benefits for survivors, and protection against investment and political risk) would be provided jointly by all three pillars, since broad diversification is the best way to insure in a very uncertain world.

To give a rough idea of the magnitudes involved: A mature system with a stable population that has already aged would probably require a 20% payroll tax or contribution (or the equivalent in other taxes), of which 5 to 10 percentage points would be used for the public pillar (depending on the form it takes) and at least 10 percentage points would be used for the mandatory funded pillar (given the transactions costs involved and the crowding out of voluntary saving; less than 10% will not be sufficient in steady state, although this amount could be phased in gradually). Variations on this system are now being tried in Chile (which has a mandatory personal saving plan with a minimum pension guarantee), Argentina (whose privately managed mandatory saving plan is accompanied by a flat benefit and a minimum guarantee in the public pillar), Australia (which has a mandatory occupational plan together with a means and asset-tested public pillar), and Denmark (where the occupational plan is virtually mandatory as a result of collective bargaining).

### *Changing Circumstances in OECD Countries*

Although the report focuses on developing countries, in this paper I comment on the relevance to OECD countries. Many OECD countries adopted their current systems before World War II, at a time when private financial markets were undeveloped or in disrepute. These systems were expanded sharply in the 1950s and 1960s, at a time when real wages and population were both growing rapidly. Under these conditions it seemed natural to rely heavily on a publicly managed, payroll-tax-financed, pay-as-you-go system. Seemingly, everyone would come out ahead under this system.



However, the world has changed dramatically over the past 50 years. Real wage growth has slowed down and population growth has come to a halt in OECD countries, so that tax rates will have to go up sharply if the current system remains unchanged. It has become increasingly important to minimize work disincentives and to increase labor productivity through capital accumulation, which the public pillar is not well suited to do. Financial markets are better developed than they were before and are global in nature, allowing funded plans to seek out the highest returns in a capital-scarce world and to benefit from international diversification. Under these changed conditions, shifting increased responsibility to privately managed funded plans that tie benefits to contributions is likely to enhance economic growth and provide higher pensions than continued reliance on a payroll-tax-financed, pay-as-you-go system.

An additional concern is that old age poverty may reappear in the future, unless the public pillar is redesigned. In the past, poverty among the old was reduced without much lifetime redistribution from rich to poor, largely because the entire retired generation benefited from a positive income transfer through the old age security system. But that positive transfer has now come to an end and is about to turn negative. At the same time, we observe a growing polarization of wages among workers in many OECD countries. Unless the public pillar becomes more targeted toward low-income groups, we may well see a resurgence of poverty among the old who were at the low end of the earnings distribution when young, did not save, and did not get a positive transfer upon retirement. If middle- and high-income workers receive a large part of their pension income through the mandatory funded pillar, this will allow the public pillar to focus more sharply on basic income needs which will keep these low-wage earners out of poverty when they grow old. And all income groups will benefit from diversification—getting their retirement income from more than one source, since one source can always fail.

### *How to Get There*

How should countries establish a multipillar system? Although the ultimate goals are similar for all, the paths and time frame depend on country circumstances. In this paper I focus on older countries that already have substantial public programs with widespread coverage, whose costs will soar with rising dependency rates over the next three decades. Rather than relying on an ever-more costly public pillar to do it all, the time is ripe for these countries to make the transition to a mandatory multipillar system.

But how can they do so, given the large implicit public pension debt that they have accumulated? The first step is to reform the public pillar by

raising the retirement age—continuously, as longevity increases, eliminating rewards for early retirement and penalties for late retirement, reducing the benefit rate relative to wages (perhaps by holding the average real pension constant as real wages increase), and making the benefit structure flatter (to emphasize the poverty reduction function), the tax rate lower, and the tax base broader.

The second step is to launch the mandatory second pillar by setting up the appropriate contribution and regulatory structures. The transition can be accomplished by (1) allocating the savings from the downsized public pillar and the fruits of future productivity gains, together with additional contributions, in some cases, to the second pillar (the gradual transition); or (2) recognizing accrued entitlements under the old system and agreeing to pay them off while starting a completely new system right away. This involves designing the new system, calculating the implicit social security debt that is owed under the old system, and figuring out how to finance it all in a way that is both politically and economically acceptable (the radical transition).

Several Latin American countries have already introduced the radical transition. For OECD countries the gradual transition seems more plausible. In some cases the measures just described would free up enough resources to gradually phase in a second pillar over a 10- to 20-year time period. In most cases, given the aging demography, an increased contribution rate or higher ceiling on taxable income will be needed as well—but hopefully this will be smaller, less distortionary, and more politically acceptable than under an unreformed system.

## Conclusion

The right mix of pillars is not the same at all times and places. It depends on a country's objectives, history, and current circumstances, particularly the relative strength of its redistributive and saving goals, its financial markets, and its taxing and regulatory capability. The kind of reform needed and the pace at which a mandatory multipillar system should be introduced will also vary—from quick in middle- and high-income countries whose systems are in serious trouble to very slow in low-income countries, which should avoid these same mistakes. But one recommendation is clear: all countries should begin planning and educating the public now.

## Endnotes

<sup>1</sup>For much great detail and extensive bibliographical references, see World Bank 1994.

<sup>2</sup>For expositional simplicity, people over age 60 are referred to in this paper as "old." Qualitatively similar observations would hold if "old" referred to age 65 or 70. More

realistically, the concept of “old” means very different things in developed and developing countries.

## References

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# Changing the Investment Policies of Social Security

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Many people are now worried about how best to prepare for paying benefits to the large cohort of baby boomers that will retire after 2010, in part because the Social Security trust funds are expected to be exhausted in 2029. In response to these concerns, some policymakers would like to allow the Social Security trust funds to invest in private securities, while others favor introducing individual retirement savings accounts to replace part of the Social Security system. By law, reserves in the Social Security trust funds currently must be invested in special U.S. Treasury securities ("special issues"). But some critics argue that the future of the trust funds and the nation's economic prospects could be improved if this investment policy was changed.

## **Could Revising the Social Security Trust Funds' Investment Policies Provide More Resources for the Retirement of the Baby Boomers?**

Unless policymakers wish to augment transfers from young to old, the only way to expand resources available to future retirees is through faster economic growth. Indeed, expanding the size of the economic pie would raise living standards for all ages. Faster growth can most reliably be attained through increased national saving to spur investment and raise productivity. Faster growth in productivity leads to faster economic growth by expanding the production of goods and services that can be distributed among the population. Not only would the elderly enjoy some of this bounty, but the working people who must contribute to the Social Security system to pay for the benefits of retirees would gain as well.

Although faster economic growth would help to finance the retirement of the baby boomers indirectly by making more resources available to all, it

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does not solve all the problems of retirement funding. For example, more rapid growth does not make funding much easier for either Social Security or private pension plans of the defined benefit type in which benefits are tied to the growth of real wages. As real wages rise, so, too, do benefits, meaning that the flow of revenues into the system approximately keeps pace with the flow of benefits going out of the system. If revenues and benefits do not match, higher growth does little to correct the problem.

### *Approaches That Claim to Encourage Economic Growth*

Some approaches to changing the investment policy of the trust funds would require investing in securities that in turn finance investments in sectors thought to foster economic growth. For example, in the past, advocates have urged that the trust funds invest in state or municipal government securities, an education-loan bank, or community-loan funds to provide more public infrastructure, education, or training opportunities.

However, switching the form in which assets of the Social Security trust funds are held would offer little or no improvement in the outlook for the wider economy or even for specific sectors of the economy. Using less Social Security money to help finance the deficit in other federal accounts would mean only that private saving, which now is invested in nonfederal securities, would have to finance that part of the Treasury's borrowing. Hence redirecting money from Social Security to investments other than Treasury debt could not expand nonfederal investment as a whole.

Having the trust funds invest in particular nonfederal sectors would probably not even significantly expand funds available to those sectors or significantly reduce the cost of borrowing. Private investors readily shift their funds among different assets in search of the highest returns. If a significant flow of Social Security money into a particular security depressed the return of that security just a bit relative to others in the market, investors would take their funds out of those assets in search of others with higher returns. As a result, borrowing costs and the total supply of funds would change little. Small markets in certain securities could, however, provide exceptions to this rule.

### *Approaches That Claim to Improve the Investment Performance of the Social Security Trust Funds*

Another approach to revamping Social Security is to enhance the investment performance of the trust funds, perhaps with an eye toward expanding benefits or reducing the financing burden. Under this approach the trust funds could hold high-yielding corporate securities rather than

special Treasury securities that earn relatively low yields. Even if higher returns were achieved, however, the cost of the Social Security system would remain unchanged—at least as measured by the benefits it pays, which have to come out of the goods and services produced by workers. And better investment performance of the trust funds would reduce income earned by other investors, in precise proportion to the amount that it increased returns to the funds.

At the same time, changing the portfolio mix implies that the trust funds would have to take on the increased risks that in the private market justify high returns for corporate equities or corporate bonds. Businesses can fail, dividends can be cut, and stock prices can fall. High rates of inflation would batter the value of the special Treasury securities that the trust funds now hold, but none of these other risks apply to the special securities.

### *Approaches That Attempt to Give Individuals More Control over Their Social Security Funds*

Approaches that would allow individuals to choose how to invest part of their Social Security contributions would enhance private control over retirement funds and presumably reduce the financing burden on the economy. These approaches would establish mandatory defined-contribution pension plans—called individual retirement savings accounts (IRSAs) for the purposes of this analysis—and would divert at least a portion of the Social Security payroll tax to such accounts.

Such approaches raise a number of thorny issues, including how the accounts could be integrated with the current system, whether such accounts would meet expectations for their rate of return, and whether they would undermine the redistributive goals of the current system. A further question is whether saving by individuals for retirement outside of Social Security would be raised or lowered if payroll tax revenues were shifted to IRSAs.

Giving individuals more control over their Social Security contributions could either increase or decrease overall private saving. If baby boomers, who have expressed some skepticism about the Social Security system, became more confident that retirement benefits from Social Security or IRSAs would be available, discretionary saving for retirement could decline. If early withdrawals were allowed, as is true for individual retirement accounts now, retirement saving could decline even further. However, individuals might take a greater interest in providing for their retirement if they were constantly reminded of the need to save for retirement. In that case, individual saving for retirement might rise.

## **Is Partially Privatizing the Social Security System Feasible without Further Changes?**

If some of the money currently going to the Social Security trust funds were transferred to individual retirement savings accounts, something would have to be done to maintain the long-run financial integrity of the Social Security system. It clearly could not maintain the same levels of benefits with lower income for a long period of time. Although the offsetting changes in revenues or benefits are not spelled out in some of the approaches, the options are clear: benefits might be reduced to match the lower cash flow, payroll taxes might be increased (thus undermining one of the major arguments for privatization), or the system might get subsidies from general revenues.

One country—Chile—that has already taken the step of privatizing a segment of its social security system illustrates the choices that must be made. Chile has privatized pensions for new employees as well as for more than 90% of existing employees who chose to join the new system. The remaining existing employees continue to pay into the state system and receive benefits under it, with some slight adjustments in the structure of benefits. Because the Chilean system, like the U.S. system, was not fully funded but had a large pay-as-you-go element, the end of contributions has left the system with substantial shortfalls that must be met with subsidies from general revenues. A considerable amount of government debt will also be created in the future to meet the deficits of the old system, provide minimum benefits, and redeem the bonds that were issued to existing employees for prior service when they joined the new system.

Similarly, changes that would partially privatize the U.S. Social Security system raise the question of how benefits for current and soon-to-be retirees would be financed. Increasing payroll taxes is not likely to be acceptable, since one of the main reasons for changing the current system is concern over current levels of the tax. In fact, since the inception of the system, policy has been aimed at maintaining the appearance that Social Security pays its own way. Thus subsidies would be likely to attract considerable opposition as well. Approaches that privatize a part of the system, therefore, would probably require a reduction in benefits paid out by Social Security.

## **Could People Manage Their Own Funds Better Than the Social Security System?**

If individuals could choose how to invest IRSAs, policymakers would need to know whether workers could manage their retirement funds as well as or better than the Social Security system.

Investments in private securities, either corporate bonds or equities, do offer relatively high returns. Whether such high returns would be realized on average would depend on how much risk workers would be willing to assume in their IRSAs, how diversified their portfolios would be, and whether future asset returns follow their historical patterns. And unless national saving is higher than it otherwise would be, incomes would simply be shifted from one group of people to another without raising the level of resources available to all.

The issue is further complicated, since the Social Security system computes benefits in a complex way that provides substantially different returns to different participants in the system. Thus some individuals might benefit and others could lose from any privatization of the system.

### *Investment Choices by Individuals*

Many people tend to invest conservatively in low-risk, low-return investments when they control their own retirement funds. Three existing vehicles for retirement investment—401(k) plans and the self-directed retirement funds for federal workers and for teachers and professors—tend to be heavily invested in fixed-income securities such as bonds and guaranteed investment contracts (GICs) that invest in a fixed-interest contract with an insurance company. Higher return but higher risk investments such as equities or stock mutual funds draw only 35% to 50% of the amount invested.

If this preference for low-risk, low-return investments also pertains to IRSA holders, individual choice is unlikely to increase the resources available to baby boomers in retirement as long as national saving does not change much. Assets in IRSAs, if conservatively invested, would probably not earn much higher returns than currently accrue to the trust funds, and some individuals might find that their market rate of return was in fact below what they had expected and planned for.

### *Historical Returns on Investment Portfolios*

Between 1926 and 1987 stocks were by far the best long-term investment on average. Common stocks earned a compound average return of 9.9% a year in nominal terms over that period, while the compound annual return for long-term corporate bonds was only half as high. Inflation averaged 3%. Among government securities the average return on long-term government bonds lay somewhat below that of long-term corporate bonds, and U.S. Treasury bills with maturities of less than one year showed an even lower average return that beat inflation by only a small margin.



The riskiness of each of these broad categories of investments, however, varies with the average compound rate of return. In other words, categories with higher average total returns are more likely to show rates of return in any one year that are substantially above or below the average for the period. Investors obtain more reliable—though lower—rates of return when they invest in short-term securities of the federal government than when they invest in common stocks.

Risks associated with holding particular securities can be reduced by diversification. To illustrate the possible range of returns for individual investors who invest in common stocks through mutual funds, CBO calculated compound total returns on the top 10% and the bottom 10% of mutual funds that invested in common stocks over the 1984-1993 period.<sup>1</sup> A lucky investor, who earned an average annual return of 18.4%, would have seen an initial \$1,000 investment burgeon to \$5,414. An unlucky investor, who earned just 5.2% a year on average, would have had an initial \$1,000 investment grow to only \$1,660. Moreover, the unlucky investor would have had a much greater probability of negative returns in any one month.

The outcomes for some could be even worse than the weakest experience described here, since the mutual funds that had the worst performance over the past ten years probably went out of business and are, thus, not even reflected in the data. Workers who purchase securities directly will be exposed to yet greater risk.

#### *Other Types of Risk Associated with Individual Retirement Savings Accounts*

Benefits received from an individual retirement savings account would depend not only on the rate of return earned on the account but also on the value of the annuity that could be purchased at the time of retirement and on the administrative costs associated with maintaining the accounts.

Unlucky market timing at the point that the IRSA is converted into a stream of payments could present additional risk. If the market for stocks suffered a setback at the time of a person's retirement, for example, a significant share of the gains earned over many years could be lost. Careful management, together with rules allowing partial conversion of the IRSA into an annuity over a period of time, could ameliorate the risk from unlucky market setbacks. And administrative burdens could be severe, especially for the smallest accounts.

#### **Would Individual Retirement Savings Accounts Be Inconsistent with Some of the Goals of the Social Security System?**

A major concern raised by opponents of approaches that include IRSAs is that individual accounts could undermine the progressive benefit structure

of the Social Security system. Benefits under the Social Security system are determined by a complex system that seeks a balance between equity and ensuring an adequate level of benefits even to the poorest recipients. Moving to IRSAs would alter this balance. The amount of retirement income derived from funds invested in an IRSA would be determined by the amount invested and the rate of return on that investment. That payout scheme would be equivalent to moving to a defined contribution plan instead of a defined benefit plan.

If IRSAs were implemented, the impact on the distribution of benefits would depend on the percentage of benefits based on assets in the IRSA. If the current benefit structure was simply replaced with one in which retirement benefits were determined by the amount of money in one's IRSA, then its progressive character would be eliminated. All else being equal, a retired worker who consistently earned one-half of the earnings of the average worker would expect to receive half of the average benefit.<sup>2</sup> By comparison, under current law, that low-wage worker receives roughly 65% of the average benefit. Similarly, a retired worker whose lifetime earnings were 50% higher than those of the average worker could expect to receive 50% more than the average benefit under a pure defined contribution plan rather than about 30% above the average benefit under the current system. Deviations would occur if the rates of return on investments differed.

However, the goal of redistribution need not be abandoned if IRSAs were adopted. Other federal programs, such as the Supplemental Security Income program, used in conjunction with Social Security benefits based strictly on the value of IRSAs could achieve minimum levels of income or redistributive objectives. Alternatively, a progressive benefit structure could be maintained by using a mixed strategy in which only a portion of the payroll tax would go to the IRSA. If the benefit structure for the remainder was left in place, then the overall system would still be progressive, albeit somewhat less so. One way of doing this would be to lower the replacement rates within each of the three brackets in the benefit formula proportionately, while setting the bend points as under current law. Another approach (which could be combined with the mixed strategy) would be to adjust either the Social Security benefits that would be paid or the percentage of earnings put into an IRSA for individual workers to preserve the current degree of progressivity.

Other aspects of the Social Security system would be more difficult to preserve. For example, the specific treatment of benefits for disabled workers and for survivors and spouses of workers in the present benefit structure might not be easily replicated in a defined contribution plan. And

the indexed annuity feature of the current Social Security system, which ensures that benefits are indexed to keep pace with inflation and are paid as long as a person lives, might not be available in private markets. If IRSAs were paid out as lump-sum distributions at the time of retirement, people who did not invest wisely or who lived unexpectedly long lives might find themselves without sufficient financial resources toward the end of their lives.

In sum, moving to a system in which a portion of one's Social Security benefits was based on investments in an IRSA would require decisions to be made about which elements of the current benefit structure should be preserved, modified, or eliminated. Mechanisms could probably be devised that would preserve the long-established principle of providing higher earnings replacement rates for retired workers with low lifetime earnings. But maintaining the myriad other features of the system would be much more of a challenge.

### **Acknowledgment**

This paper is based on a Congressional Budget Office paper, "Implications of Revising Social Security's Investment Policies," CBO Papers, September 1994.

### **Endnotes**

<sup>1</sup>Morningstar Mutual Funds On Floppy (Chicago, Ill., March 1994). To calculate the average rate of return, the returns were weighted by the mutual fund's net asset value so that relatively small funds receive less weight.

<sup>2</sup>This calculation assumes that all contributions would accumulate until retirement. Early withdrawals, of course, would reduce benefits further.

## DISCUSSION

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The papers presented in this session exemplify the broader perspective of recent research investigating the economic impacts of public and private pension plans. From a relatively compartmentalized focus several years ago, researchers and policy analysts have branched out in their consideration of the economic impacts of public and private pension systems within and across nations. The two papers I am discussing, Gustman, Mitchell, and Steinmeier and Hsin and Mitchell, fit into a pattern of greater integration, innovation, and breadth by expanding the boundaries of our research interests.

The Gustman et al. paper, based on the new Health and Retirement Survey (HRS), uses the initial wave of individuals approaching retirement age to describe the cohort's labor market status at the beginning of their transition to retirement. The HRS, funded by the National Institute on Aging, will provide the first longitudinal data on the process of retirement since the well-researched Retirement History Survey (RHS). The questions asked offer some of the same information as the RHS but also include a number of new questions. These were developed, in part, to strengthen some of the weaknesses of the earlier survey. Gustman et al. examine some of the new variables. Both the freshness of the data and the authors' broader approach placed the paper within the new school of pension and retirement research described above.

Hsin and Mitchell use data based on 325 state and local retirement systems to consider a topic that used to be the stepchild of pension research—state and local pension plans. In the past, attention was focused on private pension plans or the social security system. While it was acknowledged that state and local plans were not necessarily fully funded, there was less interest in their financial status, assuming that government's capacity for increased taxation backed by the power of strong employee unions would ensure that any shortfall would be covered. With greater sophistication about the financial implications of underfunding and under the political

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pressure of a potential tax revolt, such a sanguine outcome can no longer be assumed. Hsin and Mitchell are among the first researchers to analyze public sector plans, in part, because of the difficulties in obtaining comparable data. Beyond this factor, however, Hsin and Mitchell have been willing to address an area that other researchers have neglected.

In my discussion of the Gustman et al. and Hsin and Mitchell papers, I will highlight those findings I consider most interesting, point to some issues for future consideration, and suggest some research implications within a broader policy perspective.

### **Older Union and Nonunion Workers**

In their paper Gustman et al. present some of the first findings from the new HRS. They consider the initial work and retirement status of the population, they investigate patterns of compensation among current workers, and they address issues related to the quality of employment. Within their presentation, they consider differences between union and nonunion workers.

The most interesting finding related to current employment is that 21% of all men in the 51 to 61 age group are not working at all. Gustman et al. also present figures on the self-reported retired. Overall, 15% of all men in this age group consider themselves retired. The difference between the percentages of men who are not at work and retirees is 6%. I suspect that a relatively small percentage of this residual is unemployed and a larger percentage has a disability that precludes their work. A finer breakdown by age would also be interesting. Finally, I am curious about the sources of income supporting preretirement-age men who are out of the labor force. While this is not the focus of the paper, I find the rate of nonworking men extremely high and believe we need more information on preretirement labor force exiters, particularly in view of the steady decline in labor force participation of older men over the past 20-30 years.

One of the most innovative parts of the HRS is the compilation of attitudinal questions. I found responses to the "quality of employment" questions of more immediate interest. In particular, several union/nonunion differences suggest that nonunion jobs have positive attributes not found in union jobs. A greater percentage of nonunion workers consider that they have the freedom to make decisions on the job, that they have an influence on their pay, that they can partially retire. A greater percentage of nonunion workers do not consider that they work for money and would not retire if they lost their job. In other words, these workers have greater autonomy and are able to exercise greater flexibility in their work life. Since nonunion jobs appear to be the wave of the future, research could

benefit by focusing on nonunion workers who may earn less but have more flexible attitudes as well as 401(k) plans.

### **Public Sector Pensions: Can They Meet the Challenge?**

The paper by Hsin and Mitchell is part of a broader program of research on state and local pension plans in which the authors incrementally nibble away at our ignorance on the topic. The authors investigate the impact of state and local pension governance on pension funding and actuarial assumptions and find that the proportion of pension fund board members elected by plan participants is negatively related to the assumed actuarial interest rate and the assumed spread rate. In addition, through these assumptions, actual contributions to the fund are higher. These assumptions are also affected by the unemployment rate and by funding status.

My interpretation of these findings is that the impact of pension plan participants on the financial health of the plan is a tendency toward fiscal conservatism. But the research leads me to believe that I am only seeing part of the elephant. How else does fiscal conservatism translate itself? For example, do pension fund boards with greater participant influence invest more conservatively? Do such investments mean that rates of return are too low and that contributions are unnecessarily high? Hsin and Mitchell also find that contributions are a smaller percentage of payroll in plans in which independent performance evaluations are more frequent. This suggests that pension plans with greater participant influence are overly conservative.

## IV. REFEREED PAPERS: LABOR ECONOMICS AND MARKETS

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### The Effects of Ownership on Relative Wages

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There is reason to believe that employer wage policies may be contributing to the current income inequality in this country (Rynes and Milkovich 1986). Wage surveys indicate that even among firms within the same industry and region, wide variations exist in the pay offered for the same type of work. These interfirm wage differentials may not be entirely the result of differences in worker ability or working conditions, as the competitive market model would suggest, but from differences in the factors that govern the allocation of organizational rents among the firm's stakeholders, where labor is one of several claimants.

Differences in the governance and control structure of the firm have been used to explain some of the variation in top management pay and performance. These differences might also explain some of the variation in firm wage policy. Shareholders with a large stake in the firm can force management to profit maximize. In firms where ownership is held by such a large number of small shareholders that their power to control the firm is diluted, labor may be able to extract higher wages. This study investigates the sources behind employer wage differentials by examining the relationship between the firm's ownership structure and the wages it pays.

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## Theories of Wage Determination

Observations of the labor market have consistently revealed a large variance in the wages earned by workers in the same occupation, industry, and location. Explaining the source of this variation has proved to be a challenging puzzle. Adding to the complexity is evidence in some sectors of the existence of firm wage differentials, defined as persistent variations in the wages paid by an employer which are consistent across all occupations (Groshe 1991). Both efficiency wage and rent-sharing models have been employed to explain firm wage differentials.

One variant of the efficiency wage model suggests that equity considerations, or employees' perceptions of fairness, may affect their productivity (Akerlof 1984). Employees' perceptions of the fairness of their wages are not only based on comparisons with the external market but also on internal comparisons with other workers in the firm. Tradition and custom are believed to play a role in legitimizing and establishing norms with regard to pay comparisons. These norms of fairness are expected to affect the distribution of economic rents within the organization (Doeringer and Piore 1971).

Rent-sharing models offer a similar explanation for wage variation. These models propose that trilateral bargaining occurs between management, employees, and the owners or shareholders of the firm over organizational rents (Aoki 1984). Tests of the rent-sharing model generally support the idea that wage premiums are associated with the ability of the firm or industry to generate rents (Kruger and Summers 1987; Dickens and Katz 1987). Additional studies have found that the bargaining power of workers is a significant negative determinant of industry profit rates (Freeman and Medoff 1984).

## The Relationship between Ownership and Wages

The rent-sharing model also suggests that the ownership structure of the firm should affect wages. The structure of ownership affects the power of shareholders to ensure that the firm is run so as to maximize returns on their investment. If the distribution of rents is determined by bargaining between management, employees, and shareholders, then ownership structures that give shareholders greater control should increase their bargaining power and their ability to claim rents.

Ownership appears to affect executive compensation in ways that are consistent with a rent-sharing model. Several studies have already established that a relationship between ownership structure and executive compensation exists where ownership concentration influences the level of executive pay and its relationship to firm performance. When ownership is



concentrated, shareholders can force management to maximize firm value. Otherwise, it is proposed that managers will maximize their own utility.

There are several reasons to believe that in addition to increasing their own pay, executives may also have a preference for increasing the pay of their subordinates. First, Hicks (1935) has hypothesized that executives may overpay their subordinates in order to buy themselves a "quiet life." Employees who are paid well above their reservation wage might be easier to supervise and generally more submissive. Also, the high wages paid to employees in regulated industries with rate-of-return pricing have been attributed to management having no incentive to reduce labor costs and, therefore, "buying" labor peace (Ehrenberg 1979).

Second, highly paid subordinates may legitimize high levels of executive pay. Simon (1957) proposes that salaries are determined by requirements of internal consistency within the hierarchy of the organization and by norms of proportionality between salaries of executives and their subordinates. This suggests that a supervisor's pay will be a function of the wages of his or her subordinates. Several organizations have recently adopted policies that constrain the CEO's base salary to a multiple of the average worker's salary.

Finally, equity norms may prevent executives from raising their own pay without subsequently raising the pay of their subordinates. A particularly effective bargaining tactic employed by unions is to focus public attention on top management's pay and bonuses when the firm has demanded cutbacks or wage concessions. The level of management compensation, because it is public information, may signal to workers the firm's ability to pay. Cowherd and Levine (1992) find a positive relationship between interclass pay equity (the pay of lower-level employees relative to that of top management) and product quality. This suggests that unless executive pay increases are accompanied by high firm wage premiums, they may result in morale problems and low productivity.

Ownership may have direct effects on firm wages, irrespective of its effect on executive compensation. Gokhale, Groshen, and Neumark (1992) find that although paying wage premiums does not appear to make a firm a takeover target, wage premiums are reduced after hostile takeovers. Alternatively, Lichtenberg and Siegel (1989) find no evidence that takeovers are associated with declines in average wages, while Brown and Medoff (1988) find only a slight decrease in average wages after mergers. Rosett (1990) examines the relationship between takeovers and subsequent union wage concessions. He finds that only a small fraction of the premiums which shareholders receive after a takeover can be explained by union wage concessions, and for hostile takeovers, unions actually experience wealth increases.

Carter and Stover (1991) find a nonlinear relationship between management ownership and total compensation. Although examining total compensation costs tells us nothing about the wage premiums offered for individual jobs, their results could indicate that at low levels of management ownership, shareholders have enough control to expropriate rents. As management's control increases, they collude with employees to capture rents in the form of compensation. At high levels of ownership, the interests of managers and shareholders converge, which ensures a division of rents more favorable to shareholders. Of course, if the increase in compensation costs is the result of increased employment rather than increases in wages, then workers would appear to be unable to expropriate rents.

### **Hypotheses**

This study examines the effect of variations in ownership structure on the firm wage differential. Three characteristics of the ownership structure are expected to effect firm wage differentials: ownership concentration, institutional ownership, and insider ownership.

Ownership concentration is expected to be negatively correlated with the firm wage differential because concentration increases shareholder power. For shareholders with a small stake in the firm, the costs of obtaining information on whether management is acting in their interest may outweigh the benefits they receive. Because large blockholders have a greater investment at stake and can capture a larger portion of the gains, they should expend the resources necessary to overcome information asymmetries. Their coordinated voting power allows them to exercise influence over organizational outcomes. Also, the potential takeover threat that they pose may induce management to pursue profit-maximizing strategies.

Similarly, the proportion of shares held by institutional investors may be negatively related to the firm wage differential. Institutional investors have greater expertise and can monitor management at a lower cost than individual shareholders.

The effect of insider ownership on the firm wage differential is theoretically indeterminate. On the one hand, as Carter and Stover's work suggests, high levels of management ownership may align management's interests with those of the shareholders. Because ownership binds the manager's personal wealth to firm performance and profitability, we would expect to find an inverse relationship. On the other hand, high levels of insider ownership can insulate management from discipline from the market or the firm's board of directors, allowing managers to pursue their own interests at the expense of the other shareholders. Management may receive all of the benefits of working with highly paid subordinates, while

sharing the costs with the other stockholders. If so, we would expect management ownership to be positively related to firm wage differentials.

In addition to ownership, several other variables which are expected to affect firm wage differentials are also examined. Although the CEO's ability to keep labor costs down may be rewarded by the shareholders, there are reasons to believe that CEO pay will be positively related to firm wage differentials. CEO compensation may act as a proxy for management bargaining power (relative to the shareholders). If the level of CEO pay is high relative to other firms in the industry, it may be indicative of management's ability to expropriate rents. CEO compensation may also signal the firm's ability to pay. Above-market pay for executives may motivate workers to demand pay increases or fight wage cuts. Consequently, CEO pay is expected to be positively correlated with the firm wage differential.

Both rent sharing and efficiency wage theories predict that the skill composition of the firm will affect the firm wage differential and predict that firms with a higher percentage of highly skilled or white-collar workers will pay all occupations, even low-skilled ones, a premium. This contradicts the competitive model which predicts that workers should earn the market wage, irrespective of the skills mix at the firm in which they are employed. Inept workers who shirk and waste the time of their highly skilled coworkers impose a greater cost on the firm when the proportion of skilled workers is high, while increases in effort can result in larger potential gains for the firm. Equity theory also predicts that in firms with high proportions of skilled workers, low-skilled workers will interact with them frequently and will tend to use them as referents for pay comparisons.

Consequently, rent sharing predicts (1) ownership concentration and institutional ownership will have an inverse relationship with the firm wage differential, (2) insider ownership will influence wage differentials (although the direction of the effect is indeterminate), and (3) CEO compensation and the proportion of skilled workers will have a positive effect on the wage differentials. In order to test the model, each of these variables will be regressed on the firm fixed effects on wages, with controls added for unionization, firm size, income, and subsidiary status.

## Data and Methods

The wage data used in this study were obtained from the *California Benchmark Survey*, a compensation survey conducted by William M. Mercer, Inc., in March of 1991. The survey contains information submitted by 262 organizations representing 465 reporting locations and 88,232 incumbents. The data contain information on 170 positions from "clerk" to "chief financial officer." Of the 262 firms that responded to the survey, 170 firms

reported data for at least 10 positions. Firms report information on an average of 58 positions.

Of these 262 firms, the average number of employees was 2,763. Forty-five percent of the firms had less than 500 employees and 37% had over 1,000 employees. Twenty percent of the firms reported some union representation of employees. While Groshen's (1991) survey primarily sampled manufacturing firms, only 20% of the firms in this survey are in manufacturing; 25% of the firms are in the areas of finance, insurance, and real estate.

Following the method used by Groshen (1989) and Leonard (1989), the log of the average wage for each position is regressed upon a set of occupation and firm dummies and controls for industry and labor market. These dummies control for 160 positions, 170 firms, 23 industries, and 12 labor markets (within the state of California). The coefficient on each firm dummy represents the firm fixed effects on wages averaged across all occupations.

Next, the firm fixed effects are regressed upon ownership variables, the CEO's base pay, and the firm's percentage of exempt workers. Firm size, profitability, unionization, and industry are added to the model as controls. Total assets, net income, CEO base pay, and ownership information (the number of shares held by insiders, by institutions, and by owners holding at least a 5% stake) for 75 of the 262 firms were obtained from the Compact Disclosure data base.

## Results

Occupation, industry, and labor market alone account for 85% of the variance in wages. Firm effects account for at least 3% and at most 13% of the variance. An F-test supports the hypothesis of jointly significant employer effects at the .01 level. The standard deviation of the firm effects is 0.14.

Firm fixed effects were also calculated separately for clericals, middle managers, and top executives. The wages that the firm pays its top executives are significantly correlated with those of middle managers, and the wages received by middle management are highly correlated with those of clerical workers.

Table 1 displays the variable means and correlations on 75 firms in the California Benchmark Survey for which some ownership data could be obtained. The firm fixed effects are not significantly correlated with any of the ownership variables but are significantly and positively correlated with CEO pay.

The first column in Table 2 presents the results of a regression of the firm fixed effects on firm characteristics. Of the three ownership variables, only insider ownership is significantly related to the firm wage differential. Increasing the percentage of insider ownership by one standard deviation

TABLE 1  
Means and Correlations (p-values)

Variables	N	Means (Std. Dev.)	1	2	3	4	5	6	7	8	9	10	11
1. Firm wage differentials	75	-0.11 (0.12)											
2. % Insider ownership	75	16.45 (20.85)	0.14 (0.23)										
3. % Institutional ownership	75	45.02 (22.98)	-0.08 (0.49)	-0.35 (0.001)									
4. % Five percent owners	75	13.80 (15.38)	0.003 (0.98)	-0.17 (0.13)	0.25 (0.03)								
5. Log CEO compensation	70	13.53 (0.64)	0.23 (0.06)	-0.23 (0.05)	0.18 (0.14)	-0.04 (0.73)							
6. Firms with union representation	75	0.14 (0.35)	0.32 (0.005)	0.06 (0.62)	0.04 (0.72)	-0.14 (0.21)	0.05 (0.67)						
7. % Exempt employees	71	50.10 (20.72)	0.16 (0.20)	0.07 (0.56)	-0.06 (0.61)	-0.04 (0.77)	-0.24 (0.05)	-0.16 (0.16)					
8. Age of firm	71	56.83 (35.43)	-0.07 (0.56)	-0.24 (0.04)	0.09 (0.44)	0.16 (0.17)	0.40 (0.001)	0.09 (0.45)	-0.37 (0.003)				
9. Subsidiary status	75	0.46 (0.50)	-0.10 (0.41)	-0.49 (0.001)	0.20 (0.09)	0.03 (0.78)	0.28 (0.02)	0.03 (0.79)	-0.23 (0.06)	0.42 (0.0002)			
10. Log total employees	75	6.77 (1.35)	0.25 (0.03)	-0.12 (0.31)	0.11 (0.33)	0.04 (0.71)	0.29 (0.01)	0.19 (0.08)	-0.43 (0.0002)	0.12 (0.32)	0.16 (0.17)		
11. Log total assets	75	14.60 (2.14)	0.13 (0.29)	-0.50 (0.0001)	0.20 (0.08)	-0.05 (0.65)	0.59 (0.001)	0.09 (0.43)	-0.25 (0.04)	0.41 (0.0004)	0.54 (0.0001)	0.36 (0.001)	
12. Net income (10,000)	75	162.73 (447.07)	0.04 (0.72)	-0.16 (0.16)	0.17 (0.14)	-0.07 (0.54)	0.23 (0.05)	0.31 (0.01)	-0.05 (0.69)	0.24 (0.04)	0.33 (0.004)	0.26 (0.02)	0.35 (0.002)

TABLE 2  
Regression of Firm Wage Differential on Ownership Structure (Standard Errors)<sup>a</sup>.

	1	2	3
1. Intercept	-0.929 <sup>***</sup> (0.193)	-0.935 <sup>***</sup> (0.202)	-1.671 <sup>***</sup> (0.396)
2. % Insider ownership	0.002 <sup>*</sup> (0.0009)	0.001 (0.0009)	0.001 (0.0009)
3. % Institutional ownership	-0.0001 (0.0007)	-0.0004 (0.0008)	-0.0007 (0.0009)
4. % Five percent owners	0.002 (0.001)	0.002 <sup>*</sup> (0.001)	0.002 <sup>*</sup> (0.001)
5. Log CEO compensation	—	—	0.072 <sup>**</sup> (0.033)
6. Union dummy	0.144 <sup>***</sup> (0.307)	0.148 <sup>***</sup> (0.049)	0.153 <sup>***</sup> (0.049)
7. % Exempt employees	0.307 <sup>***</sup> (0.087)	0.300 <sup>***</sup> (0.095)	0.280 <sup>***</sup> (0.103)
8. Age	—	-0.0001 (0.0006)	-0.0002 (0.0006)
9. Subsidiary status	-0.038 (0.040)	-0.042 (0.045)	-0.049 (0.049)
10. Log total employees	0.045 <sup>***</sup> (0.013)	0.042 <sup>***</sup> (0.014)	0.045 <sup>***</sup> (0.015)
11. Log assets	0.021 <sup>**</sup> (0.010)	0.024 <sup>***</sup> (0.010)	0.008 (0.012)
12. Net income	-0.00005 (0.00004)	-0.00004 (0.00004)	-0.00003 (0.00004)
13. Service	0.027 (0.050)	0.021 (0.051)	0.020 (0.052)
14. Manufacturing	0.087 (0.055)	0.091 (0.056)	0.081 (0.057)
15. Trade	-0.011 (0.066)	-0.005 (0.067)	-0.018 (0.087)
R <sup>2</sup>	0.44	0.46	0.52
Adjusted R <sup>2</sup>	0.32	0.32	0.36

<sup>a</sup> \*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.10

(from a mean of 18% to 40%) is associated with a 4% increase in the firm wage premium.

Firms with high levels of insider ownership may be younger, and new firms may have to pay wage premiums to attract workers. To see if the relationship is affected by the age of the firm, column 2 controls for age. In

this model, the coefficient on insider ownership becomes insignificant, but surprisingly, the coefficient on 5% ownership becomes significant and positive. Increasing the level of 5% ownership by one standard deviation (from a mean of 13% to 27%) is associated with a 3% increase in the firm wage premium.

Column 3 adds the log of CEO compensation to the model. This variable has a significant and positive impact on the firm wage differential. A one-standard-deviation increase in CEO pay is associated with a 5% increase in the firm wage premium.

In all of the models tested here, the percentage of exempt workers in the firm's workforce has a particularly large positive affect on the firm wage differential. A one-standard-deviation increase in the percentage of exempt workers (from 51% to 72%) is associated with a 28% increase in the firm wage premium.

## Discussion

The results offer mixed support for the rent-sharing hypothesis. The hypothesis predicts a negative relationship between ownership concentration and relative wages. The results, however, indicate that this relationship is positive, although the effects are quite small. It is difficult to explain why firms with concentrated ownership tend to pay slightly higher wages. One possibility is that concentrated ownership may serve to deter hostile takeover bids. This would allow management to make implicit contracts with employees and adopt relatively steep age-earnings profiles. Another prospect is that these firms may have recently experienced growth and needed to expand their workforce. Also, it may be that the wages paid are ultimately profit-maximizing, as the efficiency wage and rent-extraction models suggest.

Although the effect is small, the significant positive relationship between CEO compensation and firm fixed effects offers some support for the idea of collusion between management and labor. If CEO pay approximates management bargaining power with respect to the shareholders, then the results could be interpreted to indicate that when management is able to expropriate rents, they increase the pay of their subordinates.

The composition of the workforce has a large, significant effect on firm fixed effects. Firms with a large proportion of exempt employees tend to pay their nonexempt employees much better than average. The idea that wage premiums tend to spill over from one group to another is also supported by the high correlations between wage premiums paid to executives, managers, and clericals. Equity considerations appear to play an important part in wage determination, but to a much greater extent than

equity theory would predict. This research indicates large spillover effects between broad occupational groups.

## Conclusions

This paper has examined the influence of shareholders' bargaining power on firm wages. Wages may be determined through trilateral bargaining between owners, managers, and labor; however, changes in shareholders' bargaining power seem to have very little effect on worker's ability to claim rents.

Overall, the results indicate that large increases in shareholder concentration are not associated with a decline in firm wage premiums. This suggests that shareholder gains from policies aimed at increasing their power may not come at the expense of reductions in employees' wages. The results indicate that the composition of the workforce has a large influence on firm fixed effects and that norms of equity appear to play an important part in explaining wage differentials.

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# White-Collar Job Displacement, 1983-1991

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Over the 1970s and 1980s, good-producing industries and production employment bore the brunt of structural and cyclical changes in the economy. As a consequence, displacement research has concentrated on blue-collar job loss. It is now well established that for blue-collar workers, average jobless durations are long and earnings losses sizeable (see Jacobson, LaLonde, and Sullivan 1993; Topel 1993). Traditionally, white-collar employment has been relatively secure and not very sensitive to cyclical downturns and structural changes in the economy. Events of the past few years have shaken that presumption of white-collar job security. My goal in this paper is to examine the incidence and consequences of permanent job loss among white-collar workers since the early 1980s. The data sources are the biennial Displaced Worker Surveys (DWS) that have been supplements to the Current Population Survey (CPS) since January 1984.

## **White-Collar Job Loss in the 1980s and 1990s**

In the late 1970s and early to mid-1980s, changes in technology, changes in demand, increasing international competition, and the traditional sensitivity to production levels all contributed to large-scale blue-collar job loss. Historically, white-collar jobs have been much less sensitive to variations in production levels. Particularly in the executive and managerial ranks, workers operated under the implicit understanding that loyalty and acceptable performance meant job security.

A number of recent papers are informative about increasing white-collar job loss. Groshen and Williams (1992) find that the media perception is false that white-collar workers were disproportionately affected by the 1990-91 recession. Using aggregate data from the Bureau of Labor Statistics for the period since 1960, they find that the latest recession fits the

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pattern of recessions in the last 30 years in that the blue-collar labor market was weaker and deteriorated more than the white-collar labor market. At the same time however, the 1990-91 recession had a greater impact on white-collar workers than previous recessions, and the recovery for white-collar workers was slow (but not unusually slow).

Using data from the Displaced Worker Surveys augmented by data on nondisplaced workers from the regular CPS, Farber (1993) investigates the incidence and costs of job loss since 1982. He finds that older and more educated workers suffered substantially more job loss in the most recent recession than in the earlier (1982-83) recession. Specifically, college graduates were about 15% more likely to lose jobs in the 1990-91 period than in 1982-83, all things equal. Workers who were not college graduates fared about the same in the two recessions. Farber notes that at the same time, the cyclical nature of job loss is concentrated among younger and less educated workers.

The 1990-91 recession affected trade, finance, services, and computers more than in previous recessions, and these industries employ a large proportion of white-collar workers. Podgursky (1992) reports a trend away from manufacturing and toward service-producing industries in the incidence of job displacement using the DWS. This occurred not just because of the shift in employment from manufacturing to services but because of higher relative rates of displacement in expanding industries. Gardner (1993) addresses the same theme as Podgursky in her analysis of the 1984 through 1992 Displaced Worker Surveys. She reports that the greatest increase in the risk of displacement between January 1990 and January 1992 surveys was among executives and managers, technicians, mechanics, and construction workers. At the same time, blue-collar workers had the highest proportion displaced.

These papers establish fairly clearly that white-collar job loss, both cyclical and structural, increased in the late 1980s and early 1990s over earlier periods. Two aspects of this increase in white-collar job loss warrant further examination. The first concerns the increase in cyclical unemployment experienced by white-collar workers. As discussed by Groshen and Williams (1992), white-collar workers bore a larger share of job losses in the last recession than in earlier recessions. This may have occurred because the industries that employ these workers, such as finance and services, experienced an increasing share of total job loss. This increasing white-collar job loss may also indicate operational or structural changes in the way firms manage their white- (and blue-) collar employees. Firms may be reconsidering the implicit understanding of white-collar job security in exchange for acceptable performance and loyalty.

There is a second, related aspect of increasing white-collar job loss. The business practice called "downsizing" is frequently mentioned in discussions of white-collar job loss. "Downsizing" is a catchall word for reductions in employment achieved through attrition, early retirements, or layoffs. Firms justify these employment cutbacks by pointing to structural changes in the economy. The changes in organizational structure that result from downsizing (or "restructuring" or "rightsizing") are expected to be permanent.

Downsizing may be to white-collar workers what changes in technology and increasing international competition were to blue-collar workers over the 1980s: causes of job loss that make prospects for similar reemployment dim. For blue-collar workers, job losses starting in the late 1970s resulted from contraction of many industries due to overcapacity, changes in demand, and changes in international competition. For these workers, losses of firm-specific and sector-specific human capital and industry rents made the earnings losses upon reemployment large (see Jacobson, LaLonde, and Sullivan 1993; Topel 1993). For those white-collar workers affected by downsizing, job losses occur as a result of the contraction of the firm and their occupation. This appears to be happening across many industries, whereas much blue-collar job loss was concentrated in manufacturing. Occupational groups with high levels of firm-specific human capital, such as managers, may face prospects not unlike those of blue-collar workers. Losses may be large not only from the loss of firm-specific skills but also because most cutbacks are occurring at large companies where compensation is higher and reemployment is occurring at smaller companies.

### **Measuring the Burden of Job Loss**

It is commonly assumed that displacement occurs without prejudice; that is, terminations are independent of job performance. However, it is conceivable that when firms decide to eliminate several positions, they can transfer high-performing workers into other jobs and dismiss only the weaker performers. Firms have more of this discretion with their (non-union) white-collar workers than with their (union) blue-collar workers.<sup>1</sup> In future research, use of a control group of nondisplaced workers with similar individual and labor market characteristics will help address this issue.

#### *Data*

Starting in January 1984 (and continuing biennially in 1986, 1988, 1990, and 1992), a supplement to the Current Population Survey (CPS) has sought to identify characteristics of displaced workers. In each survey, individuals in the regular monthly CPS were asked if they had lost a job in the

five years preceding the January survey date due to “. . . a plant closing, an employer going out of business, a layoff from which he/she was not recalled, or other similar reasons.” If the answer was yes, a series of questions followed concerning the old job and period of joblessness. If more than one job was lost during the reference period, survey questions refer to the lost job held the longest.

This analysis uses the 1988, 1990, and 1992 surveys, covering displacements in the years 1983-91. The three surveys overlap in years covered. The 1988 survey covers displacements in 1983-87; the 1990 survey, 1985-89; and the 1992 survey, 1987-91.<sup>2</sup> Individuals aged 20 to 60 at the time of displacement were included in the sample if they had lost full-time, private-sector, nonagricultural jobs because of a plant closing or relocation, elimination of position or shift, or slack work (layoff without recall).<sup>3</sup> Information on labor force status (employed, unemployed, out of labor force) can be determined only for the survey date, using information from the regular part of the CPS. Individuals self-employed at the survey date were excluded from the analysis reported here due to missing information on postdisplacement earnings. The resulting sample has 2817 blue-collar observations and 3081 white-collar observations.<sup>4</sup>

White-collar workers have become more vulnerable to permanent job loss as displacement has broadened away from manufacturing toward service-producing industries. In addition, the occupational distribution of job loss has changed within industrial sectors. Managerial shares of displacement rose in all industrial sectors, with the exception of nonprofessional services. The increases are sizeable. Managerial employment is high in finance, insurance, and real estate, and an increase in this sector's displacements was combined with an increase in the share of managerial displacement within the sector. In manufacturing, managerial displacements increased, while the other white-collar displacements remained fairly constant. This evidence is consistent with the view that managers are overrepresented within the group of white-collar workers in their share of displacements. These descriptive statistics on managerial job loss are also consistent with findings from a more analytical model in Cappelli (1992). At the same time, it is clearly the case that the burden of displacement falls on blue-collar workers. In manufacturing, the relative shares of white-collar to blue-collar displacement fell over the period.<sup>5</sup>

### **Costs of Job Displacement**

This section examines two key postdisplacement outcomes for white-collar workers: the probability of reemployment and earnings losses. Table 1 contains estimates of a simple logit model of the probability of reemployment.

TABLE 1  
Logit Estimates of the Probability of Reemployment: White-Collar Workers

Variable	Female		Male	
	Means	(1)	Means	(2)
Nonwhite	.107	-.4475** (.1381)	.083	-.1710 (.1841)
Education < 12 yrs.	.047	-.5039** (.1985)	.044	-.2711 (.2511)
Education 13-15 yrs.	.312	.3093** (.1063)	.289	.2561* (.1431)
Education ≥ 16 yrs.	.227	.5980** (.1341)	.414	.3219** (.1411)
Age 20-30 yrs.	.426	.0235 (.1073)	.345	-.0820 (.1389)
Age 41-50 yrs.	.184	.0607 (.1335)	.207	-.3601** (.1513)
Age 51-60 yrs.	.085	-.3707** (.1707)	.124	-.6585** (.1789)
Tenure	4.319	-.0124* (.0074)	5.702	-.0072 (.0083)
Professional/technical	.140	-.3312** (.1659)	.304	.0027 (.1449)
Sales	.184	-.5301** (.1524)	.271	.3698** (.1683)
Admin. support	.453	-.2903 (.1247)	.142	-.2277 (.1681)
Mining	.016	-.6685 (.3508)	.027	.4863 (.3850)
Transport, utilities, communications	.064	.0021 (.2130)	.074	-.1173 (.2124)
Wholesale & retail trade	.288	-.2617* (.1467)	.292	-.0618 (.1708)
Finance, insurance, real estate	.148	-.2995* (.1589)	.084	.0887 (.2207)
Services	.304	-.1664 (.1410)	.239	-.0143 (.1503)
Advance notice:				
Informal	.341	.3069** (.1007)	.339	.4486** (.1222)
Written, < 1 mnth.	.047	.0897 (.2100)	.049	.1442 (.2379)
Written, > 1 mnth.	.130	.1809 (.1417)	.103	.2166 (.1830)
Constant	1.000	1.8390** (.2471)	1.000	2.0760** (.2840)
Sample size	2664		2401	
Log likelihood	-1508.89		-1118.07	

Notes: Asymptotic standard errors in parentheses. \*\* (\*) statistically significant at the 5% (10%) level (two-tailed test). Controls for year of displacement and state unemployment rate are also included.

Separate estimates are presented by gender. Turning to the results, for both men and women the probabilities of reemployment rise with educational attainment, and the effect of education is quite strong for women. Some college schooling raises the probability of reemployment by 6.2% over the high school baseline for women, and having at least a college degree increases the reemployment probability by 11.9%. For men, the effect of some college schooling is smaller (+4.3% over the high school baseline), as is the effect of having at least a college degree (+5.4% over the high school baseline).<sup>6</sup> For men, the probability of reemployment falls with age; for men aged 41-50 at displacement, the probability of reemployment is 6.0% lower than for similar men aged 31-40 at displacement. For men aged 51-60, the probability is 11.1% lower than the 31-40 baseline. For women, the only statistically significant effect is found for ages 51-60 where the probability is 7.4% lower. The probability of reemployment falls with job tenure; the effect is small for women, where each year of tenure lowers the reemployment probability by .2%. For men, the effect of job tenure is small and not statistically significant.

For women, displaced managers are more likely to be reemployed than all the other occupational groups. Displaced sales workers are the least likely to be reemployed with a differential of -10.6% from the managerial baseline (the differentials are -6.6% for professional/technicals and -5.8% for administrative support workers). The results are different for men: displaced sales workers are more likely to be reemployed (+6.2% over managers). Administrative support workers are less likely to be reemployed among men, but the estimate is only marginally significant.

Earlier work on displacement has examined the efficacy of advance notification. The results here are quite consistent with that work. Informal notice raises the probability of reemployment by 7.5% over the no-notice baseline for men, and the effect is +6.1% for women. Formal written notice has a positive but not statistically significant effect for both groups.<sup>7</sup>

Table 2 presents estimates from an analysis of earnings changes. The dependent variable is the difference between the logs of postdisplacement weekly earnings and predisplacement weekly earnings. Earnings are measured in constant dollars, using the personal consumption expenditures deflator (1987=100). Using the logit estimation of the probability of reemployment reported in Table 1, the regressions for earnings changes are adjusted for the sample selection that results from having observed postdisplacement earnings only for the sample of reemployed. Earnings changes are separately analyzed by gender (the mean of the dependent variable for women is -0.212; the mean of the dependent variable for men is -0.203).

Earnings changes decrease with age for both men and women. For men, being over forty increases earnings losses 9% to 10% over the 31-40

TABLE 2  
Correlates of Earnings Change: White-Collar Workers

Variable	Female		Male	
	(1)	(2)	(1)	(2)
Nonwhite	.074 (.063)	-.094 (.063)	-.063 (.043)	-.058 (.043)
Education < 12 yrs.	-.102 (.095)	-.083 (.096)	-.057 (.064)	-.050 (.064)
Education 13-15 yrs.	.001 (.043)	.0004 (.043)	-.052 (.034)	-.049 (.034)
Education ≥ 16 yrs.	-.021 (.063)	-.030 (.063)	.002 (.035)	-.003 (.035)
Age 20-30 yrs.	.043 (.033)	.049 (.033)	.032 (.028)	.041 (.028)
Age 41-50 yrs.	-.046 (.042)	-.048 (.042)	-.095** (.038)	-.091** (.038)
Age 51-60 yrs	-.093 (.066)	-.096 (.067)	.106* (.059)	-.109* (.058)
Tenure	-.005 (.003)	-.005* (.003)	-.016** (.002)	-.015** (.002)
Professional/technical	.141** (.054)	.107** (.055)	.070** (.031)	.051* (.031)
Sales	.134** (.065)	.125* (.066)	.006 (.040)	.002 (.039)
Admin. support	.144** (.043)	.143** (.043)	.041 (.042)	.049 (.042)
Mining	-.166 (.137)	-.152 (.138)	-.237** (.073)	-.224** (.073)
Transport, utilities, communications	-.172** (.062)	-.186** (.062)	-.039 (.048)	-.044 (.048)
Wholesale & retail trade	.073 (.050)	.068 (.050)	.041 (.037)	.044 (.037)
Finance, insurance, real estate	-.004 (.054)	-.027 (.055)	.004 (.045)	-.018 (.045)
Services	.035 (.044)	.022 (.045)	.062* (.033)	.060* (.032)
Changed 3-digit occupation		-.099** (.025)		-.098** (.026)
Changed 3-digit industry		-.087** (.028)		-.061** (.027)
Constant	-.007 (.121)	.152 (.125)	-.098 (.091)	.013 (.093)
Lambda	-.561* (.296)	-.574* (.299)	-.042 (.257)	-.051 (.255)
R <sup>2</sup>	.060	.077	.094	.109

Notes: Dependent variable: (Log real postdisplacement weekly earnings)—(Log real predisplacement weekly earnings). Standard errors in parentheses. \*(\*) statistically significant at the 5% (10%) level (two-tailed test). Controls for year of displacement and receipt of advance notice are also included. Sample size equals 1811 for females and 1755 for males.



baseline. For women, the age coefficient estimates are not statistically significant. Job tenure on the predisplacement job is significantly related to earnings changes, with more senior workers, particularly men, having larger earnings losses. Similar to results reported in Farber (1993), each year of previous tenure is related to a 1.5% larger negative earnings change. For women, each year of tenure is related to a .5% larger negative earnings change. There are differences in earnings losses by displacement sector, with smaller losses for workers displaced from services (significant only for men) and wholesale and retail trade (positive coefficients but imprecisely estimated).

For both groups, earnings changes are larger for professionals and technicals, sales, and administrative support than for managers (the omitted group). For women, earnings changes are 13% to 14% larger for these groups (and the estimates are statistically significant). For men, the occupational differences are smaller, but qualitatively similar.

The tenure and occupational estimates are suggestive of the roles played by job-, firm-, and sector-specific human capital. With sector-specific skills, earnings losses will increase with changes in occupation and industry. Column 2 of Table 2 adds indicator variables for changes in 3-digit occupation and industry. Larger negative earnings changes, on the order of 6% to 9%, are associated with changes in both occupation and industry. Comparing columns 1 and 2 reveals that the measured occupational effects discussed above are sensitive to the controls for industry and occupational change.

## Conclusions

The work described in this paper is just the beginning of a detailed analysis of the costs and consequences of white-collar job displacement. The analysis of the costs of job loss will be extended in a number of ways using the DWS. Earnings changes upon reemployment are just one component of potential income losses resulting from job displacement; unemployment following job loss can produce sizeable income losses. To a limited extent, the Displaced Worker Surveys allow extensions to other consequences, such as a comparison of pre- and postdisplacement jobs across characteristics other than earnings, such as hours worked (full-time vs. part-time) and receipt of health insurance benefits.

While the analysis presented here is preliminary, it does suggest that managers experience larger earnings losses than otherwise equivalent white-collar workers. These larger losses are consistent with a sizeable component of firm-specific skills in managerial human capital. Judgments of firm-specific (and nontransferable) skills or general (and transferable) skills

depend on conceptions of management's role in firms' organization. Management's responsibilities and skills for analyzing and dispersing information and decision making may indeed be firm specific, yet in the abstract, these skills seem quite general. In addition, there is some evidence of limited managerial mobility across firms, which is consistent with both firm-specific skills and the influence of internal labor markets.<sup>4</sup> Managers may constitute an interesting case study of specific skills and job displacement.

Measurements of the costs of white-collar job displacement will add to our understanding of the consequences of permanent job loss. In an era of scarce resources, studies like this one may help direct resources to those most disadvantaged by structural economic change.

## Endnotes

<sup>1</sup>There is evidence from the Displaced Worker Surveys that the postdisplacement earnings of laid-off workers are lower and the postdisplacement jobless spells longer than the earning and jobless spells of workers displaced by plant closings (Gibbons and Katz 1991). In their model of asymmetric information about workers' abilities, this evidence is consistent with the market inferring that laid-off workers are "low" ability workers.

<sup>2</sup>Recall bias is an important issue in the DWS: there may be underestimation of both the incidence and consequences of job loss occurring long before the survey data (see Topel 1990). Future work will use nonoverlapping samples by year of displacement.

<sup>3</sup>The analysis sample excludes individual displaced from the construction industry and those displaced during the survey month.

<sup>4</sup>Formally, the Bureau of Labor Statistics classifies occupations into six broad groups: (1) managerial and professional specialty; (2) technical, sales, and administrative support (including clerical); (3) service occupations; (4) precision production, craft, and repair; (5) operators, fabricators, and laborers; and (6) farming, forestry, and fishing. The first two categories are clearly "white collar"; categories (4) and (5) "blue collar."

<sup>5</sup>This descriptive information is reported in tables available from the author.

<sup>6</sup>The derivative of the probability of reemployment in the logit model is  $P(1-P)\beta$ . For women, the sample average value for  $P$  is .704 ( $P(1-P) = .20$ ). For men, the sample average value for  $P$  is .785 ( $P(1-P) = .168$ ). All else the same, women are 6.7% less likely to be reemployed than men.

<sup>7</sup>See Ruhm (1992) for a discussion of the efficacy of advance notice.

<sup>8</sup>With internal labor markets, managers will be promoted from within and find little outside market for their skills (see Pfeffer and Cohen 1984). In this case, the losses from displacement will be large.

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# The Decision to Accept a Separation Bonus: The Case of Military Personnel

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Separation bonuses increasingly have been used by firms that need to reduce mid-career personnel but wish to avoid involuntary separations. The U.S. armed forces found itself in this position with the post-Cold War downsizing that began in the late 1980s. Although the armed forces have been reduced many times in the past, the current personnel drawdown is the first to occur since the beginning of the all-volunteer era in 1973. Prior to the drawdown, volunteers served under an implicit contract that virtually guaranteed those with six or more years of service ("careerists") a retirement annuity. To avoid involuntary reductions in force (RIFs), innovative policies were needed to accomplish the current force drawdown.

The least disruptive method to reduce manpower would have been simply to freeze hiring (accessions) and allow normal attrition to shrink the work force. Unfortunately, use of this option was severely constrained because the military, unlike private firms that hire laterally to fill vacancies, hires only at the entry level and develops skilled manpower internally. If accessions had been cut drastically, normal "aging" of the force would have created distortions in personnel inventories in various dimensions (grade, seniority, and skill level, for example), causing promotion opportunities to stagnate and personnel costs to rise. The large scale of the military's planned downsizing, which involved eliminating 604,000 (28%) of all active duty positions by 1997, meant that some nonvested careerists, who otherwise would have been eligible to serve until retirement, would have faced involuntary layoff. Resorting to layoffs not only would have broken the implicit long-term contract with career personnel, it also would have imposed significant losses of pension wealth, damaged the military's reputation as an employer, and created future recruitment and retention problems.

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To avoid these problems, the Defense Department implemented a series of policies, the goal of which was to achieve balanced manpower reductions across pay grades, experience levels, and skills, while relying on voluntary separations. The most innovative policy was a separation bonus aimed at inducing selected careerists to voluntarily resign prior to becoming retirement eligible. The magnitude of the bonus was structured in part to compensate for the loss in pension wealth (Beland 1992). The program offered two options: the Special Separation Benefit (SSB) and the Voluntary Separation Incentive (VSI). SSB provided a lump-sum payment equal to 15% of annual base pay multiplied by years of service, whereas VSI provided an annual payment equal to 2.5% of annual base pay multiplied by years of service. The annuity would continue for twice the number of years of service (U.S. General Accounting Office 1993).

The literature on separation incentives consists mostly of case studies of private firms (Koszlowski et al. 1991). The few empirical studies in this area have concentrated on the effect of early retirement bonuses on separation behavior (Hogarth 1988). Few, if any, empirical studies have analyzed the effect of separation bonuses, either in the military or private sector, on nonretirement-eligible, mid-career personnel. To fill this gap, this paper examines the decisions of military personnel to voluntarily leave in response to the bonus. The paper focuses on the effect of separation incentives on enlisted Air Force personnel during 1992, the first year of the program. In addition, the paper estimates the effect of the threat of involuntary layoff on the decision to accept a bonus by comparing the acceptance decisions of personnel in two different environments—one in which the threat of future RIF was high versus one in which it was absent altogether.

## Background

Although research on separation bonuses has been scant, a large body of research has analyzed military reenlistment decisions. Since the VSI/SSB program was targeted largely at mid-career personnel with between 9 and 19 years of service, the decision to reenlist for the second term (normally at 8 years of service) and the third term (at 12 years of service) involves some of the same considerations that would have influenced those eligible for the separation bonus. For example, compensation-related variables (such as reenlistment bonuses and tenure) and the expected probability of promotion have been found to affect the decision to stay in the military for those with 6 to 14 years of service. Also, pay elasticities appear to decline in magnitude at the later reenlistment points as the retirement annuity begins to dominate decision making (Hiller 1982; Goldberg 1982). Compared to private-sector workers, military careerists have a

higher proportion of total compensation in the form of pension benefits; because of cliff vesting at 20 years of service, they also face a high cost of quitting due to large pension capital losses.

The individual decision to leave the military and return to the civilian work force generally is assumed to depend on the present values of the expected income streams from each alternative—the cost of leaving (Warner and Goldberg 1984). Individuals stay if the maximum cost of leaving over the relevant time horizon exceeds the relative nonpecuniary benefit of civilian over military life. Since the value of the nonpecuniary returns to military and civilian life cannot be observed, they are assumed to be a function of individual characteristics and an error term.

Efforts to empirically implement the cost-of-leaving model have been forced to confront the problems of accurately predicting the life cycle earnings of military personnel (who tend to be relatively young) in their hypothetical civilian and military alternatives (Buddin et al. 1992). The potential errors in these estimates are magnified in a downsizing environment in which historical promotion rates are no longer reliable guides to future promotion rates and pay levels, and the probability of reaching retirement is changing rapidly. An alternative approach is to specify the acceptance model as a reduced form that includes factors that directly determine, or that serve as proxies for, the separate components of the cost of leaving—projected military pay and promotion, civilian earnings forecasts, and the separation bonus—and factors that reflect the nonpecuniary benefits of civilian and military life. This approach is adopted in the empirical analysis below.

### **Empirical Analysis**

For the statistical analysis a data set was created by combining information on the population of 103,489 Air Force enlisted personnel who were eligible for the VSI/SSB program in 1992 with information on individuals who separated under one of the incentive programs. All data files were provided by the Defense Manpower Data Center. Missing data for some variables reduced the final data set for analysis to 88,349 observations, of whom 12,819 (14.1%) accepted a separation bonus.

The behavioral model incorporates a dummy variable for those in the higher pay grades (GRADE) eligible for the bonus, and a continuous variable for tenure (YOS). The predicted signs of these variables are ambiguous because they determine both the military pay stream and the separation bonus, which have opposite effects on the cost of leaving. It is unlikely, however, that the variables have symmetrical effects on the two pay streams. Rather, a one-unit increase in one of these variables, on balance, will tend to increase the military pay stream more than it increases the

bonus, because each variable increases military pay prior to retirement, the probability of reaching retirement, and retirement pay conditional on being vested. Hence, on balance, increments in GRADE and YOS will increase the cost of leaving and reduce the probability of accepting the bonus.

Civilian labor market conditions are an important determinant of the cost of leaving because they affect the certainty and size of the civilian income stream. The probability of finding a civilian job is captured by a dummy variable for military occupations that receive extensive technical training and that are more transferable to the civilian labor market (HITECH). A variable for the unemployment rate in the service member's home state (UNRATE) also is included to reflect local area employment conditions (U.S. Department of Labor 1992). The model also controls for personal characteristics that affect one's civilian earnings prospects. These include marital status (MARRIED=1), sex (MALE=1), race/ethnic background (MINORITY=1), the number of children (CHILDREN), and having a military spouse (MILSPOUS). Other controls are entered for years of education (EDUC) and enlistment test score (AFQT) in an attempt to determine whether more able personnel are more likely to leave the military under the bonus program. Table 1 provides variable definitions and descriptive statistics.

Table 2 presents the results of the binary logit model of the acceptance (ACCEPT) decision. Column 2 of Table 2 presents the logit coefficients and column 3 presents the marginal effect of each explanatory variable. The

TABLE 1  
Variable Descriptions and Means or Proportions

Variable	Description	Means or Proportions
<i>Dependent Variables:</i>		
ACCEPT	= 1 if accept separation bonus	0.141
<i>Independent Variables:</i>		
YOS	Years of service (10-17)	13.021
MINORITY	= 1 if ethnic or racial minority	0.239
MARRIED	= 1 if married	0.823
CHILDREN	Number of children	0.841
MILSPOUS	= 1 if spouse in military	0.109
HITECH	= 1 if rating highly technical	0.277
MALE	= 1 if male	0.878
AFQT	AFQT score (0-100)	57.570
EDUC	Years of education	12.730
GRADE	= 1 if paygrade $\geq$ E-6	.395
UNRATE	Home state unemployment rate	7.315

Note: Air Force sample; N = 88,349

TABLE 2  
Logit Coefficients and Marginal Effects  
(Standard errors in parentheses)

Independent Variables	Air Force Sample		Pooled Air Force and Navy Sample
	Logit Coefficients	Marginal Effects	Logit Coefficients
MINORITY	-0.434*** (0.026)	-0.054	-0.483*** (0.022)
AFQT	-0.004*** (0.001)	-0.001	-0.002*** (0.000)
MALE	-0.235*** (0.033)	-0.029	-0.284*** (0.027)
YOS	-0.173*** (0.004)	-0.022	-0.137*** (0.003)
GRADE	-1.217*** (0.036)	-0.152	-1.298*** (0.035)
MARRIED	-0.287*** (0.034)	-0.035	-0.249*** (0.028)
CHILDREN	0.262*** (0.036)	0.032	0.201*** (0.030)
MILSPOUS	0.089** (0.040)	0.011	0.063* (0.034)
UNRATE	-0.012 (0.007)	-0.002	-0.023*** (0.006)
EDUC	-0.317*** (0.012)	-0.039	-0.281*** (0.010)
HITECH	0.107*** (0.022)	0.013	0.095*** (0.019)
USAF	—	—	0.350*** (0.021)
Constant	6.140	—	5.043
Chi-square (likelihood ratio test)	6352.5		6245.5
Concordance ratio <sup>a</sup>	0.704		0.668
Sample Size	88349		124757

Note: <sup>a</sup> Concordance ratio is a measure of predictive ability of the model

\*\*\*  $p \leq .01$ ; \*\*  $p \leq .05$ ; \*  $p \leq .10$

coefficients in column 2 are generally in the expected direction and indicate that differences in expected compensation in the civilian and military alternatives significantly affect the individual's decision to accept the bonus. Members with more years of service (YOS) are less likely to voluntarily separate, suggesting that for a given personal discount rate, the present value of (and the probability of receiving) retirement pay is greater for



those with longer tenure. Similarly, those in the higher pay grades (GRADE) eligible for the bonus are far less likely to separate. Higher unemployment rates in an individual's home state weaken prospects for civilian employment, increase the cost of leaving, and reduce the incentive to leave the military. Those in highly technical ratings are more likely to leave, owing perhaps to better civilian opportunities for those skills. On the other hand, those with more education and higher AFQT scores are less likely to leave. This may reflect the fact that better educated and more able personnel tend to be better performers in the military and thus face better pay and promotion prospects if they stay. Nonetheless, this result allays some concerns of policy makers that the program would provide an avenue for the most productive service members to leave.

Minorities are about 4% less likely to voluntarily separate, a finding that is consistent with prior evidence that minorities are more likely to reenlist, due perhaps to the military's favorable climate for equal opportunity and generally higher unemployment in the civilian sector. The effects of family status point in opposite directions: married personnel are less likely to voluntarily separate, but those with larger families are more likely to leave. One explanation for this result is that the frequent separation associated with active duty may be more disruptive to families with children. Another noteworthy result is that women are more likely than men to leave. The cause of this difference is not clear and the result is at odds with some evidence that women have higher reenlistment rates than men (Smith et al. 1991). It is also interesting that a spouse in a dual-military couple is more likely to separate, perhaps owing to the difficulties of maintaining a normal lifestyle when both spouses are on active duty.

An attempt is made to estimate the effect of the threat of involuntary lay-off on individuals' decisions to separate. This analysis involves merging the data on bonus-eligible Air Force personnel with similar Navy personnel. The Navy file contains 36,408 enlisted personnel who were offered the VSI/SSB in 1992. These two service branches were chosen because of the vast difference in the RIF threat between them. The Air Force faced much larger personnel cuts than the Navy in 1992 and announced that RIFs would be used if voluntary separations were insufficient to meet end strength targets; the Navy, in contrast, faced much smaller personnel cuts and announced that RIFs would not be used. In column 3 of Table 2 the merged data set is used to reestimate the ACCEPT model after including a dummy variable for Air Force personnel (USAF=1) to capture the differential RIF threat.

The coefficient of USAF indicates that Air Force personnel, who faced an explicit threat of RIF, were more likely to accept the separation bonus. The probability of separation was only a modest 4.1% higher for Air Force

personnel (based on evaluating the logit coefficients at their mean values). By way of comparison, Hogarth (1988) found that New York State civil servants were about 15% more likely to accept an early retirement bonus when the perceived threat of layoff was high. One possible explanation for the smaller effect found here is that the perceived RIF threat in the two services may not have differed as much as the true (or announced) threat. The general climate of downsizing, budget cuts, and personnel turbulence may have been more important in conditioning perceptions than formal announcements. In addition, the Navy VSI/SSB program was offered to a much smaller population, mostly to people in overstrength occupations that were also experiencing low promotion rates. Although the overall RIF threat was low in the Navy, there was a lower cost of leaving to individuals in the targeted occupations due to below-average promotion expectations. Finally, it should be noted that anyone who is involuntarily separated receives severance pay. Although severance pay is smaller than VSI/SSB, it nevertheless increases the cost of leaving and reduces the probability of taking the bonus, even in a situation where the potential for RIF is high.

This research represents a first step in understanding voluntary separation behavior in response to bonuses in an organization undergoing a significant downsizing. Although the VSI/SSB program represented an unprecedented experiment for military policymakers, it appears that the program met all of its objectives. Service members who prior to the downsizing had planned for a 20-year retirement were compensated for the unexpected loss of pension wealth and the change in the implicit long-term contract under which they had previously served; the armed forces avoided the need to drastically reduce accessions with the attendant disruptions in the flow of personnel through the hierarchical structure; and the individual services were able to shrink occupations that were experiencing the most serious overstaffing. Most important of all, the military was able to dramatically reduce its total manpower inventory without resorting to involuntary layoffs; in 1992, 409,000 personnel left the military, but only 244 left under a RIF action (U.S. General Accounting Office 1993).

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## DISCUSSION

ELAINE SORENSON  
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Mehay's paper examines the decision of military personnel to voluntarily leave their military service in response to a separation bonus program offered by the U.S. Air Force and Navy in 1992. He finds that the program was highly successful. Let me first commend him for writing a very clear and concise paper. My comments will initially address the broader policy implications of his work, and then I will turn to a few technical questions.

*General lessons on downsizing?* Many companies have undergone personnel downsizing during the past few years, and more are expected to undergo this process in the future. It is commonly believed that "downsizing" is a dreadful event; yet the military appears to have undertaken it without any negative consequences. Given the apparent success of this program, are there any general lessons that could be learned from the military's efforts in this area? As Mehay notes, very few involuntary separations were required to meet the military's downsizing requirements. Is the positive view of the military's downsizing entirely a result of this fact? What is the cost of downsizing? A more general description of the military's downsizing program would be helpful. Were the separation bonuses the only feature of the downsizing program?

According to Mehay, 400,00 personnel left the military in 1992. Why is this number so much larger than the 12,819 military personnel who accepted the separation bonus that year? How do these data fit into the larger picture of the military personnel? Additional information about the military, its pay system, and the data set would be helpful.

*The impact of pay grade, education, and age on accepting a separation bonus.* Pay grade is the strongest predictor in Mehay's analysis of a person's probability of accepting the separation bonus. If I read Table 2 correctly, persons in higher pay grades are 15% less likely to voluntarily separate than those in lower pay grades; yet there is no explanation of the military pay grade system in the paper. According to Table 1, a higher pay grade is any

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grade above E-5. It would be helpful to know what an E-5 is and how it compares to the federal classification system. Given the importance of this variable in the analysis, it is unclear why it is specified as a dummy variable that equals 1 if a person is in the higher pay grades instead of a continuous variable that would reflect the full variation in the pay grade system. Are there only two pay grades in the military?

One of the most interesting findings is that individuals with higher levels of education are less likely to accept the separation bonus than those with lower levels of education. It is suggested that education is correlated with job performance, suggesting that those who are performing better in the military are less likely to leave. If this is true, it suggests that better performers are less likely to accept separation bonuses, which is an important finding for other firms that are considering downsizing. Do the data include measures of job performance so that this issue can be more directly examined? For example, is it known whether an individual has received the expected bonuses and promotions that military personnel generally receive for that person's years of service?

Why is age not included as an explanatory variable? One of the fears about downsizing is that it disproportionately affects older workers. Was age a factor in the decision to accept a separation bonus within the military?

*Marginal effects.* Two marginal effects are cited in the paper, one for the minority variable and one for the U.S. Air Force variable, neither of which is in Table 2 where the marginal effects are reported. First, Mehay reports that minorities are 4% less likely to voluntarily separate than non-minorities, but the marginal effect in Table 2 is .054. Second, he indicates that the probability of separation is 4% higher for Air Force personnel than for Navy personnel, yet this variable is not reported in Table 2. The author may want to check his figures in the text with those in Table 2 for consistency. In addition, he may want to add the marginal effects of the second logit equation to Table 2 since he mentioned at least one in the paper.

Two other marginal effects reported in Table 2—for the education and unemployment rate variables—have different signs than the logit coefficients, which is unexpected. Again, the author may want to check the accuracy of his figures in Table 2. If the signs are correct as reported, then a footnote is needed to explain this anomaly.

## DISCUSSION

ERICA GROSHEN

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I enjoyed reading the Sassalos paper, which is very much a study after my own heart. Sassalos has contributed to the growing new literature that uses firm-level data to advance our understanding of the labor market.

Many of these studies address a major question answered in empirical economics: What is the source of the unexplained wage variation in household data? Work done by me and others suggests that employer wage differentials account for a substantial portion of the unexplained variation, but that still begs the questions of why wages vary among employers. The explanations that have been advanced for employer wage differentials can be summarized into five broad categories: sorting by human capital, compensating differentials, errors by employers, efficiency wages, and rent sharing.

Sassalos investigates the potential contribution of the latter two explanations, while trying to control for the possible impact of the first two. She uses a private wage and salary survey for her investigation: the standard aggregate and household survey data cannot distinguish among these theories because it lacks adequate firm-level information and resolution. Only firm-level data stand a chance of explaining why wages vary among employers.

Unfortunately, economists have been able to tap only a few sources of employer-level data. Thus far, most studies have exploited government data gathered for other purposes, such as the Longitudinal Research Data Base and the Unemployment Insurance Establishment Data Base. These sources, however, are aggregated at the establishment level and contain no occupation, human capital, or individual wage information.

Employer salary surveys constitute a viable alternative source of data because they gather wage information from employers by detailed occupation. The U.S. Department of Labor has now discontinued its Industry and Area Wage Survey programs, which collected such data for various cities and industries and formed the basis for some previous research. However,

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as this study demonstrates, private wage and salary surveys constitute a potentially richer source of employer wage data. The barriers to their use include a lack of centralized information about them, difficulties gaining access, concerns about unrepresentative samples, and the challenge of preparing the data for analysis. As this study demonstrates, the payoff comes in being able to mine new sources for evidence not obtainable elsewhere.

The paper begins with a discussion of the literature to motivate the study. Sassalos shows that previous studies suggest that CEO salaries are linked to ownership structure and equity holdings and to workers' earnings, and she discusses theories for why we might expect these relationships. Next, she describes the data: the 1991 California Benchmark Survey, which features an unusual wealth of detail on firm ownership. In the first step of the analysis, she regresses individuals' wages on employer and occupation dummy variables to obtain an ANOVA and to estimate firm fixed effects. Her results are comfortably similar to those found in previous studies. In the second step, Sassalos regressed the firm fixed effects on owner characteristics. Her results suggest no strong, simple correlation (particularly in the predicted direction) between owner type and wages.

Overall, this paper represents an interesting first stab at identifying the relationship between wages and firm ownership. My comments should be understood as suggestions for further extensions and probes of the ambiguous results she gets with her fascinating data set.

*Literature review.* Since this paper is part of a growing body of literature based on firm-level data, I recommend that in further extensions of this work, Sassalos compare and contrast her results with those obtained by various people working on related topics, such as Abowd and Kremers, Troske, and Bronars. Their data, techniques, and interpretations of their results are different, so it is important to interpret these findings relative to theirs.

*Data evaluation.* Since the data analyzed are from an idiosyncratic survey, Sassalos has an important obligation to compare the composition of her data to appropriate other sources. In addition, she should try to replicate the results from other studies, both as a check on their results and on the comparability of her source to theirs. Potential influences on these results include the deep California recession in 1991, the sample-selection rules used by the company conducting the survey, and the restrictions Sassalos imposes.

*Composition of workers' share of rents.* The amount of rents workers ultimately receive depends both on their share and the size of the rent

“pie.” Sassalos’ regressions provide unbiased estimates of the influence of ownership characteristics on rent shares only if the amount of rents available for distribution is uncorrelated with these factors. Most of the ownership variables tested (especially the various proxies for owner monitoring) could plausibly be argued to raise the rents to the firm, which could raise the rents received by workers even if their share were somewhat smaller. Indeed, the presence of these biases is as compelling an explanation for her results as the hypothesis of no impact. Thus further work will be needed to disentangle these influences.



## V. DISSERTATIONS

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# Cooperation, Conciliation, and Continuity: The Evolution of a Modern Grievance Procedure in the Columbus Typographical Union No. 5, 1859-1959

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Writing in 1983, historian Robert Zieger noted that although labor history and industrial relations have much in common, scholars in the two fields rarely pay attention to the other. This problem has become acute since 1950, especially with the passing of Selig Perlman and Sumner Slichter. Before mid-century, Zieger argues, the two groups shared in the liberal academic consensus that saw the New Deal and the rise of industrial unions as capping a long history of progressive development. He further contends that while historians today are utilizing the works of industrial relations researchers, the reverse is not true.

In 1989 the historian David Brody issued yet another call for cross-fertilization, asking, "What can labor history contribute to an understanding of industrial relations (and vice versa)?" After tracing how industrial relations and labor history jointly developed and later separated, Brody concludes optimistically that the two currently disparate fields will again inform each other. This dissertation speaks to these calls for cross-fertilization. Specifically, it traces the evolution of a modern grievance procedure using the rich records of the Columbus Typographical Union No. 5 from 1859-1959, a period of industry and union growth and stability.

When historians have studied grievance procedures, they have done so only as part of union formation, as part of larger industrial relations, as a

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consequence of WW II government intervention, and over a short span of time. Industrial relations scholars began studying grievance procedures along with the rise of industrial unionism during the late 1930s. While IR researchers have advanced our understanding of contemporary grievance procedures, the typical quantitative, cross-sectional study overlooks how grievance systems developed. In Lewin and Peterson's (1988) book on the modern grievance procedure, they devote merely two sparse pages to its history. Peterson (1992) recognized both the dearth and importance of the historical treatment of grievance procedures in his recent review of the grievance literature. He encourages others to

go even further in identifying the environmental and internal forces over the period studied that may have influenced the operation of the union grievance process in firm(s) studied. The grievance process fits into a broad framework of workplace relations at a given point of time in the history of a given society (p. 155).

Writing about the development of constitutional law in American industry in 1922, William Leiserson (1922) notes:

Little effort has been made to collect (decisions of joint arbitration committees and impartial boards of arbitration) or to digest and analyze them for the development of the law that they might show. This is a work to which graduate students might very profitably devote their doctors dissertations (p. 67).

This study answers the calls of Zieger (1983), Brody (1989), Peterson (1992), and Leiserson (1922), and is the first of its kind to examine in depth the resolution of workplace disputes at the local level over a long stretch of time. Its uniqueness includes not only its approach but also its focus on a craft union before and after the New Deal.

Unlike two other early and famous cases of formal grievance procedures—the anthracite coal (1903) and the clothing (ca. 1910) industries—severe labor unrest and outside public interference did not precede the rise of grievance procedures in the printing industry. From its rebirth in 1859, the Columbus Typographical Union No.5 affiliated with the International Typographical Union (ITU). Until the ITU merged with the Communications Workers of America in 1987, it was the oldest, continuous labor organization in the United States. Founded in 1852, the National Typographical Union changed its name to the ITU in 1869 after admitting a Canadian local to membership.

The ITU has been the subject of much scholarship. For example, Barnett (1909) wrote the first general history of the union; Perlman (1928)

described the ITU as the epitome of “job conscious” unionism as part of his general theory of the labor movement; Loft (1944) examined the printing trades between 1899-1939, paying close attention to labor relations; Porter (1954) studied closely the ITU’s system of job property (seniority or “priority”) rights codified in the union’s general laws; and Lipset, Trow and Coleman (1956) elaborated upon the union’s unique two-party internal government structure and its chapel form of self-government.<sup>1</sup> All stressed that in order to implement its policies effectively, the ITU required foremen to be union members. Foremen members, in addition to the closed shop and its general laws governing the workplace, assured the ITU institutional security. The above works are invaluable for understanding the ITU. Nonetheless, most scholars of the ITU treated grievance processing in a secondary manner, although there are exceptions.

For example, Perlman (1928), Feller (1973), and Jacoby (1986) note the existence of a dual grievance procedure. Because foremen were also ITU members, the union considered shopfloor grievances as disputes between union members to be settled by internal union procedures. When collective bargaining developed in the industry during the 1880s (1902 in Columbus), a more typical “external” grievance procedure complemented the internal one. While these scholars are correct to point out the existence of two grievance processes, they fail to show how it operated day to day over time. In the local studies conducted on the ITU (see, for example, Fagan [1930], Lipset et al. [1956], and Zerker [1982]), locals in large urban centers were the focus. This dissertation explores an ITU local in a smaller midwestern city and makes use of a rich collection of local union records absent in most studies of the ITU.

Historically, the printing industry was divided into two branches—newspaper and commercial (or job) printing. The ITU organized parts of both branches, although they were more fully organized in newspapers. The size of the plants and investment required to run a paper were greater than that of most commercial plants. In addition, the market for daily newspapers was more local and less competitive, and the perishability of the newspaper itself placed a premium on uninterrupted production and stable labor relations. In the commercial branch, by contrast, shop size was smaller, and the financial requirements for start-up appreciably less; as a result, intense competition pervaded the industry. Commercial employers found it imperative to minimize labor costs (Brown 1942; Loft 1944). These conditions created a more accepting role for unions in newspapers and a more precarious one in commercial shops.

Differences between the two branches affected the local’s grievance procedure in terms of both the nature of issues and means of adjudication.

In general, the newspaper branch experienced labor relations innovations before the commercial branch, including advances in grievance administration and arbitration proceedings.

## Findings

The evolution of the Columbus union's grievance procedure is studied in three periods. In the first period, 1859 to 1902, when employers recognized the union, they also agreed to be governed by union-determined laws. A variety of temporary ad hoc bodies adjusted grievances. The first permanent local body, a standing committee of three, formed around 1870. But it was not until the Executive Committee formed in 1885 that a significant change in grievance processing occurred. Until the 1890s, however, both temporary and permanent bodies coexisted.

The local Executive Committee was one of the most important bodies in grievance resolution, but the union had not yet established a structured grievance procedure. For example, if the chapel (i.e., each member present at the chapel meeting) failed to settle a dispute, the Executive Committee<sup>2</sup> voted on the matter. From there, outstanding cases traveled to the local union for a vote of members present. Sometimes, however, the local heard the case first before dispatching it to the Executive Committee. What made the ITU's grievance procedure unique was its system of democratic voting and peer review, a form of industrial democracy at the workplace. Overall, in the period before 1902, the grievance procedure had not yet solidified. Given the longstanding industry tradition of mutual interests between owners and the union, a high degree of informality existed.

The consolidation of the ITU after 1885 affected the manner in which the local union processed grievances. After 1886 the ITU became an institutional part of the local's grievance procedure, either via mail correspondence or personal visits. Union administration and collective bargaining relationships with national employer associations from both branches also caused the ITU to become more involved in local union affairs. However, this dissertation illustrates how the local (and later jointly with employers) worked to shield itself from external influences. Consequently, in most cases the parties adjusted grievances without the involvement of ITU officers.

Although not a primary focus here, grievance issues during this period centered on wages, hours, reproduction of matrices, the measurement of printed matter by hand compositors, and apprenticeship regulations. In general, I could not discern differences between branches because the industry had not yet split into two separate wings. This changed in the next period under investigation.

In the second period, 1902-1939, collective bargaining took hold in Columbus. Local 5 signed labor agreements with employer associations from both branches. Not surprisingly, collective bargaining affected the grievance procedure, but it was just one factor. From 1901-1922 the ITU and the American Newspaper Publishers' Association signed five international arbitration agreements affecting all locals.<sup>3</sup> Newspaper contracts now included arbitration clauses. The parties also added contract language related to the joint settlement of certain disputes through the operation of joint standing committees from each branch. In practice, however, the union adjusted most grievances without employer involvement. This was another tradition held over from an earlier period. When the parties activated joint committees (only in newspaper disputes) they rarely wrote formal decisions. Instead, conciliation and deference to the union's internal grievance procedure ruled.

The local parties preferred cooperation and conciliation to formal arbitration procedures and rigid grievance systems based on arm's-length relationships. Quite often, in all three periods, the local union bent ITU laws to assist employers caught in a temporary bind. From time to time, external events tested the strength of the cooperative relationship. For example, the ITU maintained an internal, two-party political system<sup>4</sup> that divided a militant progressive party from a conservative and conciliatory one. Debates within the ITU often led to changes in the contours of a local's grievance procedure. For example, the formation of arbitration procedures and the proper steps for handling discharge grievances came from the ITU's conservative party. In practice, local procedures varied. In Columbus the parties worked to maintain traditional ways.<sup>5</sup> In the few jointly invoked local arbitration proceedings before 1920, the parties never employed the services of a third party. Moreover, although some bitter strikes took place in some cities during the ITU's push for shorter hours in the commercial branch between 1898 through the early 1920s, the Local 5 and its unionized employers managed to avoid labor unrest—additional proof that the parties sought a cooperative, conciliatory approach to industrial relations.

As part of the internal grievance procedure, the local union could send unsettled grievances to the ITU Executive Council for resolution. The first such case took place in 1904 and was related to discharge and priority—printers' parlance for seniority—two of the most enduring grievance topics. After 1902 the nature of the issues changed as well. Columbus printers recorded disputes related to priority, discharge, ITU overtime law,<sup>6</sup> and wages and hours with greater frequency. Priority and exchange of matrices grievances plagued the newspaper branch, while wage and hour violations were more problematic in the competitive commercial branch. Discharges

cut across branches. ITU Executive Council cases related to priority, discharge, and ITU overtime law arose exclusively within the newspaper branch. The ITU published decisions in the *Bulletin* (established in 1913) and distributed issues to all local unions. Council decisions helped to create a common law of the workplace. ITU members often referred to prior council rulings to resolve grievances at all levels. In Columbus, ITU members made use of prior council rulings almost exclusively for priority cases.

In summary, between 1903-1939 a dual grievance procedure emerged, sparked by national industrial relations and ITU events. In practice, however, the Columbus relationship adhered closely to the traditional, precollective bargaining, internal grievance procedure. When the employer became involved, cooperative and conciliatory approaches dominated. After 1940, forces tested the resiliency of this cooperative relationship on a number of occasions. Despite the local parties' efforts, external forces began to erode local traditions.

In the final period, 1940-1959, I detected changes in the tenor of local labor relations from a group of incidents beginning in 1940. The first event, involving a typical discharge case in a newspaper shop, related to the employer's participation in process. Heretofore, the employer virtually abdicated its role in resolving discharge cases. Throughout ITU jurisdiction there were variations in procedures related to discharges, such that by 1940 it was not uncommon for employers to request a joint conference. The ITU in this case, when solicited by the local for an opinion, sided with the employer and agreed that after the chapel, Executive Committee, and local union heard appeals, the employer could appeal to the Joint Standing Committee. This was a major change in practice although the local contract granted the employer a voice in discharge disputes beginning in 1937.

A second sign of changed relations involved greater Joint Standing Committee activities including cases involving commercial printers. Before 1941 neither the Joint Standing Committee nor the ITU entertained commercial cases. In 1941 commercial owners, acting as plaintiffs, sent two appeals to the ITU Executive Council. Finally, in 1957 for the first time, a neutral third party decided a local arbitration case; the few arbitrations held between 1905 and 1912 ended with conciliation. Moreover, between 1913 and 1957 no arbitrations took place. In sum, while the union continued to bend rules to aid employers and overall the parties worked together to resolve problems short of strikes and unrest, after 1941 there were signs that the relationship in Columbus was changing. The change represented a shift toward a more adversarial, formal system, much like that of the larger industrial unions and those in anthracite coal mining.

It is difficult to attribute causes to these changes, but one can make some inferences. Locally, industrial unions emerged on the scene in 1941 after the federal government built the Curtiss-Wright aircraft plant. No longer was ITU # 5 the most important union in town. A related issue included the influence of the industrial relations practices of large industrial unions and their employers. It is likely that printing employers spoke with industrial employers and paid close attention to New Deal and World War II-era labor policies that affected important sectors of the American economy.

At the national level, the passage of the 1947 Taft-Hartley Act had the potential to affect the ITU in a tremendous way, especially its closed shop and foreman clauses. But I could not detect any significant impact of the law on the local relationship. However, the new law, together with internal union debates and controversies with employers, led to standardization of labor practices across the ITU's jurisdiction. For many years these practices were alien to Columbus. Priority and discharge cases were the most common issues grieved between 1940 and 1959, followed by wage and hour and ITU overtime violations. Cases related to priority, discharge, and ITU overtime highlight the importance of the job—a "job consciousness"—to ITU members. Increasingly after 1920, good, stable jobs became scarce in the newspaper branch, while commercial shops experienced too much flux to guarantee union printers stable positions (Maradie 1984). Differences between the branches showed up again in the nature of grievances. For example, disputes related to priority, discharge, exchange of matrices, transfers, vacations, and ITU overtime violations were more common in newspaper shops. The commercial branch witnessed more cases involving sanitation violations and jurisdictional claims. Only transfer disputes fell exclusively within the newspaper branch, while sanitation problems arose only at the commercial shop of F. J. Heer Company, the largest in Columbus. Cases heard by the ITU Executive Council were similar to those of the period before 1939. Priority, discharge, and ITU overtime violations comprised about 70% of the cases, while newer issues such as vacation and call-backs emerged.

## Conclusion

This dissertation, the first of its kind, traces the evolution of a modern grievance procedure in a local typographical craft union from 1859-1959. Three distinct periods marked the evolution of the grievance process. However, a cooperative and conciliatory approach transcended the relationship over time. This spirit of cooperation can be traced to the 19th century printers' work culture which stressed the mutuality of interests between masters and journeymen.

Collective bargaining and contract language related to the joint resolution of grievances including arbitration became part of local industrial relations practice as a result of events taking place outside Columbus. While the effects of these and other external events (e.g., ITU political infighting, labor laws, etc.) did not end longstanding practices of harmonious, cooperative labor relations, over time they had the combined effect of altering the contours of the grievance procedure. These changes became more salient after 1940, although ITU involvement in local matters began as early as 1886.

Grievance issues varied over the years and between branches of the trade. After 1900, as reflected in the number of grievances filed and the cases heard by the ITU Executive Council, a core group of grievances came to dominate. Chief among these issues were priority, discharge, and ITU overtime law. Combined, these issues indicate an enduring quest by ITU members to preserve individual job rights. Whereas wage-related grievances mattered more in anthracite coal and clothing, "job consciousness" was of paramount importance to ITU members. This finding supports Perlman's (1928) argument of the nature of the ITU (at least in Columbus).

One of the more interesting findings to emerge from this study is the process by which chapel and then union members voted on grievance outcomes. Peer review, combined with the right of appeal to higher levels in the grievance process, afforded ITU members a high degree of industrial democracy. Local democracy came to mirror ITU democratic practices. Historically, such democratic practices make Local 5's grievance procedure an anomaly in American industrial relations.

The manner in which the Columbus local adjusted grievances may have some relevance today. Although the relationship in the printing industry may be unique, empirical studies indicate that a smooth-functioning grievance procedure can have beneficial outcomes for organizations (Mishel and Voos 1992). Training supervisors and stewards to facilitate a more cooperative and problem-solving approach may be useful. Moreover, peer review may not be so unpalatable to employers, especially where they organize work by teams. In fact, peer review of grievances, coupled with employer involvement at higher levels in the process, can work to ensure fairness to all parties, while granting some degree of industrial democracy to employees.

As unions and employers struggle to redefine each other's roles in the workplace of the future, a history lesson may be a practical guide.

## Endnotes

<sup>1</sup> ITU members referred to their workplace as a chapel, its roots extending to Europe many centuries ago. Each printing office had its own chapel. The chapel complemented the democratic internal union system. Chapel members voted individually on



many issues affecting them, including the resolution of grievances. This is one of the most unique and important features of the ITU's grievance process.

<sup>2</sup> Depending on the time period, this committee had either three or five members.

<sup>3</sup> Actual and feared labor unrest brought about by the introduction of mechanical typesetting machines led the ITU and the American Newspaper Publishers' Association to devise an arbitration agreement. Typesetting machines were introduced in Columbus in 1894, later than in the larger cities. No strikes or unrest resulted in Columbus. Some larger cities experienced unrest.

<sup>4</sup> Formally developed by 1912.

<sup>5</sup> The Columbus union was not necessarily comprised of members and officers favoring the conservative party. Union records indicate, more often than not, support for the incumbent party. This can be explained by its reliance on the ITU for bargaining and other assistance.

<sup>6</sup> This law regulated the maximum number of days in a week printers could work without giving out overtime to substitutes. Until the 1930s, the "six-day" law prevailed.

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# Organizational Function and Managerial Compensation: An Investigation of Interfirm and Intrafirm Differentials

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With the notable exception of studies that have investigated relationships between executive compensation and firm performance little is known about how managerial pay systems differ. One fairly consistent observation by several sources is that pay differences exist for managers of various functions (e.g., marketing, finance, personnel, and manufacturing). To the extent that function describes unique competencies of managerial jobs, understanding their pay determinants is important to understanding how firms value managerial contributions. This study attempts to determine whether the differences are uniquely determined by organizations and their environments.

Human capital theory suggests one explanation for managerial pay differences by function is they have distinct distributions of individual characteristics associated with pay. Similarly, distributions of job and organizational characteristics associated with pay may create differences. However, at least two institutional views suggest external pay structure may differ by function even after accounting for these variables. Thurow's (1975) job competition model suggests the training and hiring process influences the supply and demand of labor to each function and creates entry-level wage differences. Functions also conform to characteristics of job clusters as defined by Dunlop (1957) in that technology, firm administrative organization, and social custom link jobs within a function. These links may perpetuate and magnify entry-level pay differences as pay decisions have similar impacts on jobs within a cluster. It was therefore hypothesized that pay differences would exist across firms even after controlling for factors associated with pay.

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With regard to the internal pay structure of organizations, several theories suggest organizations reward functions depending on their relative value to the organization. Value may arise from their ability to further organizational goals (functional stratification, Davis and Moore 1945), implement organizational strategies (Milkovich 1988), contribute to organizational success (strategic contingency, Hickson et al. 1971), or control critical resources (resource dependence, Salancik and Pfeffer 1974). To the extent that organizational characteristics influence the bases of power and contribution, they should also play an important role in determining the pay differentials between functions.

Drawing on these theories, hypotheses were formulated regarding the effects of some commonly studied organizational characteristics. Increasing firm size as measured by total employees may result in an increase of the personnel function's power because it is important for furthering goals and controls a major resource or source of uncertainty—namely, human resources. To the extent that this translates into greater compensation, it was expected that wages of jobs serving the personnel function relative to jobs serving other functions will be positively associated with total employees in an organization, all else equal. Similar rationale implies marketing is in the best position to control resources or uncertainty regarding sales, and it was expected that wages of jobs serving the sales and marketing function relative to jobs serving other functions will be positively associated with organizational sales volume. In the absence of theory or empirical evidence about which function is most important to firm performance, a nondirectional hypothesis was stated regarding its effect on relative salaries.

Much has been written about which functions best serve various diversification strategies (e.g., Snow and Hrebiniak 1980; Fligstein 1987). A firm's competitive position in pursuing a single product and vertically integrated strategy (where a single product or production technology generates most of a firm's sales) is generally argued to rely on maximization of manufacturing efficiency. Since manufacturing is in the best position to provide knowledge toward this goal, wages of jobs serving the manufacturing function relative to jobs serving other functions were expected to be highest in organizations following a single product and vertically integrated strategy. Firms diversifying into related products or businesses are argued to compete by differentiating their products from competitors' and entering new markets. Marketing is argued to be most important to firms emphasizing this strategy, so it was expected wages of jobs serving the marketing function relative to jobs serving other functions will be highest in firms following a product-related strategy. Personnel is argued to be most important in conglomerate firms, since it plays an important role in retaining and motivating

valued personnel in the acquired firms (Pitts 1976). This suggested wages of jobs serving the personnel function relative to jobs serving other functions will be highest in organizations following a conglomerate strategy. However, it is also argued that the finance function is most important as it provides a measure of individual business unit performance and controls corporate funds distribution (e.g., Rumelt 1974). Thus a competing hypothesis was formulated stating wages of jobs serving the finance function relative to jobs serving other functions will be highest in these firms. The importance of the finance function (indicated by the likelihood a firm is headed by someone from finance) has also been positively associated with merger and acquisition activity (Fligstein 1987), suggesting it will be positively associated with the wages of jobs serving the finance function relative to jobs serving other functions. Finally, high industry wages may reflect labor shortages, monitoring problems, or unionization. Since maximizing returns to labor is more difficult under these conditions, it was expected that wages of jobs serving the personnel function will be higher relative to jobs serving other functions in industries with higher wages.

To test the hypotheses, data were taken from a sample of 255 publicly owned firms that participated in a compensation survey. The dependent variable, base salary, was taken from the survey as were the individual and job characteristics described in Table 1. Most organizational characteristics

TABLE 1  
Description of Measures

Variable	Source	Description
LNBASE	Survey	Natural log of base salary as of March 1, 1985
EDUC	Survey	Total completed years of full-time schooling
EXPER	Survey	Age less five less number of years education
JOBTEN	Survey	Years in present job
ORCTEN	Survey	Years with company
LEVEL	Survey	Levels between position and Board of Directors
RESPON	Survey	Managerial levels supervised by incumbent
BRDMBR	Survey	Coded 1 if served on Board of Directors
RANGE	Survey	Coded 1 if job belonged to a salary range
LNTEES	Survey	Natural log of total employees in the organization
LNSALES	COMPUSTAT	Natural log of net sales
ROE	COMPUSTAT	Net income/Average common stock equity
TSR	COMPUSTAT	(Dividends + capital gains)/(Common stock)
DIVERS	COMPUSTAT	$1 - \sum P_i^2$ , where $P_i = (\text{Sales from the firms' } i\text{th business line}) / \text{Company's total sales}$
MCACTV	Mergers & Acquisitions	1983-84 mergers/acquisitions worth \$! million +
RENTS	Krueger & Summers <sup>a</sup>	Industry wage of firm relative to all industries

<sup>a</sup> Krueger, Alan B., and Summers, Lawrence H. 1988. "Efficiency Wages and the Inter-industry Wage Structure." *Econometrica*, Vol. 56, pp. 259-293.

were taken from Compustat (see Table 1). Means and standard deviations for the total sample and by functional subgroup are reported in Table 2. The average number of employees and total sales of these firms was about 1,500 and \$150 million (respectively) more than the average Fortune 500 company in 1984. Mean diversification was .44, suggesting, on average, moderate levels of diversification.

TABLE 2  
Descriptive Statistics for Individual and Job Variables<sup>a</sup>

Variable	Finance (N = 3,631)	Manufacturing (N = 2,503)	Marketing (N = 2,917)	Personnel (N = 2,273)	Total (N = 11,324)
BASE	81,411.55 (41,509.79)	64,465.14 (26,892.94)	74,919.11 (32,711.20)	70,829.94 (29,551.17)	73,869.00 (34,682.76)
EDUC	16.83 (1.40)	15.35 (1.97)	16.02 (1.62)	16.58 (1.62)	16.24 (1.73)
EXPER	22.98 (8.92)	27.41 (8.75)	24.83 (8.75)	25.07 (8.67)	24.85 (8.94)
JOBTEN	4.38 (4.15)	4.53 (4.00)	3.54 (3.56)	4.63 (4.23)	4.25 (4.01)
ORGTEN	12.95 (9.26)	16.52 (10.47)	13.95 (9.99)	12.68 (9.50)	13.94 (9.88)
LEVEL	4.18 (1.15)	5.30 (1.42)	4.87 (1.21)	4.33 (1.18)	4.64 (1.31)
RESPON	1.72 (1.44)	2.20 (1.65)	1.60 (1.44)	1.09 (1.19)	1.67 (1.49)
RANGE	0.86	0.90	0.87	0.87	0.87
BRDMBR	0.19	0.03	0.05	0.08	0.10
TEES	—	—	—	—	30,192.61 (37,387.33)
SALES (million \$)	—	—	—	—	3,670.70 (7,438.08)
ROE	—	—	—	—	0.11 (0.73)
TSR	—	—	—	—	-0.06 (0.26)
DIVERS	—	—	—	—	0.44 (0.28)
MGACTV	—	—	—	—	1.43 (2.39)
RENTS	—	—	—	—	0.15 (0.14)

<sup>a</sup> Standard deviations are in parentheses.

The first hypothesis stated that wage differences across firms were expected among functions even after adding control variables. Table 3,

Model 1, shows results from a regression estimating the simple average wage differences between functional areas. Transforming these coefficients into dollars, the salary premiums over manufacturing (the omitted category) for personnel, finance, and marketing were about \$6,400, \$14,700, and \$10,200, respectively. The results in Model 2 show the premiums over manufacturing declined to approximately \$1,900, \$9,600, and \$4,500 when control variables were added. A comparison of Model 2 with Model 3 indicates that function explains 2% of the variance in wages ( $p < .05$ ) over and above that explained with controls alone.

TABLE 3  
Regressions of  $\ln(\text{Salary})^a$  for Across Firm Analysis

Variable	Model 1	Model 2	Model 3
Finance <sup>b</sup>	.210** (.0102)	.068** (.0066)	no
Marketing	.150** (.0107)	.144** (.0062)	no
Personnel	.096** (.0114)	.028** (.0072)	no
Individual Characteristics	no	yes	yes
Job Characteristics	no	yes	yes
Organizational Characteristics	no	yes	yes
Industry Dummies <sup>c</sup>	no	yes	yes
Adjusted R <sup>2</sup>	.038**	.708**	.691**

\*  $p < .05$  \*\*  $p < .01$

<sup>a</sup> Standard errors are in parentheses.

<sup>b</sup> Manufacturing function was omitted.

<sup>c</sup> Includes fifteen industry dummies with services as omitted category.

Internal pay hypotheses were tested by comparing the effects of organizational characteristics for each pair of functions. For example, the hypothesis that total employees increases personnel pay relative to others is supported if the coefficient on  $\text{LNTEES}$  is significantly greater for personnel than for other functions. To calculate effect differences between functions, regression models incorporating interactions between functions and variables were estimated. The effects of firm characteristics on marketing, finance, and personnel salaries did not differ significantly, so the interfirm hypotheses were not supported. However, the analysis revealed a general pattern of differences in effects between each function and manufacturing. Table 4 presents results from the comparison of each function with manufacturing. Column 1 gives the coefficients for the main effects of all variables on manufacturing. Columns 2-4 show the coefficients on interaction

TABLE 4  
Regression of Ln(Base Salary) for Within Firm Analysis<sup>a,b</sup>

Variable	Main Effect	Effect Difference Compared Manufacturing		
	Manufacturing	Finance	Marketing	Personnel
LNTES	.065** (.0081)	-.026** (.0099)	-.023* (.0108)	-.015 (.0111)
LNsales	.049** (.0088)	.030** (.0108)	.022 (.0116)	.027* (.0121)
ROE	-.021* (.0089)	-.012 (.0114)	-.022 (.0120)	.001 (.0136)
TSR	.015 (.0231)	-.024 (.0295)	-.050 (.0327)	-.067* (.0332)
MCACTV	.014** (.0028)	-.013** (.0032)	-.016** (.0036)	-.012** (.0035)
DIVERS	.079 (.0629)	.248** (.0806)	.173* (.0863)	.212* (.0897)
DIVERS2	-.248** (.0791)	-.196 (.1018)	-.204 (.1101)	-.198 (.1130)
RENTS	.074 (.0536)	-.187** (.0660)	-.302** (.0716)	-.156* (.0751)

\*  $p < .05$ ; \*\*  $p < .01$

<sup>a</sup> Standard errors are in parentheses.

<sup>b</sup> Includes all individual, job and industry controls with services industry omitted.

terms for organizational characteristics with the finance, marketing, and personnel, respectively. These coefficients represent the difference in the effect of each variable on base salary of that function compared to manufacturing. Thus the main effect of .065 ( $p < .05$ ) indicates that, on average, base salary of manufacturing managers increases .65% for a one percentage point increase in total employees. The increases for finance, marketing, and personnel are .26, .23 and .15 ( $p < .05$  for each) percentage points lower, respectively. Firms with more employees and in higher wage industries paid manufacturing more ( $p < .05$ ) relative to other managers than firms with fewer employees or in lower wage industries. By contrast, firms with high sales paid manufacturing less ( $p < .05$ ) relative to other managers than firms with low sales. The salary differential between other functions and manufacturing was highest for firms with moderate levels of diversification. Firm performance had little or no effect on relative salaries.

These results indicate that internal and external managerial pay structures vary by function. Differences in external structure cannot be entirely attributed to the distribution of wage determining factors. Differences in the internal structure suggest the relative pay of functions differs depending on the organization's characteristics, but differences do not appear to



be based on a function's intraorganizational power, importance, or strategic fit. Explanations for these findings are considered, including poor construct measurement, model misspecification, and theoretical deficiencies. It is speculated that differential treatment of manufacturing salaries arises from the greater likelihood that they are recruited from an internal labor market. Managers in other functions may tend to compete in external markets. The results emphasize the need for more research and theoretical development on managerial salary structures focused on pay determination and the influence of various labor markets.

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## DISCUSSION

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This year, we have very interesting dissertations. Without reading the entire dissertations, however, my discussions are bound to be limited in scope.

Stanger's historical analysis of the Columbus Typographic Union No. 5 is indeed a proper response to the call for cross-fertilization between labor history and industrial relations by David Brody and others. He studied the evolution of the grievance procedure of the local union by examining internal union documents for a 100-year time period: 1859-1959. The author divided the process of grievance procedure evolution into three periods: 1859-1902, 1903-1939, and 1940-1959. In the first period, because foremen were also the members of the International Typographical Union, the union considered shopfloor grievances as disputes between union members to be settled by internal union procedures, and the local provided a system of democratic voting and peer review in the grievance procedure. Even after the consolidation of the ITU and involvement of ITU organizers in local grievance cases, the local worked to shield itself from external influences. In the second period, while collective bargaining tended to formalize the grievance procedure and arbitration was instituted, the local still adjusted most grievances without employer involvement. The local parties (both union and employer) preferred cooperation and conciliation to formal arbitration procedures and rigid grievance systems based on arm's-length relationships. In the third period, while the local parties worked together to resolve problems short of strikes and unrest, after 1941 the relationship changed toward a more adversarial, formal system, much like that of the larger industrial unions. Grievance issues varied over the years. After 1902 a core group of grievances centered around "job consciousness"—priority, discharge, and ITU overtime law.

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The author makes a very interesting argument in that the peer review aspect of the local's grievance procedure may have relevance in today's effort for team-based work organization. He further suggests that peer review coupled with employer involvement at higher levels will ensure fairness to all parties. This may actually fit the current trend of decentralization of industrial relations. However, as we see in the case of the relationship between the UAW International and Local 1853 at Saturn, this type of arrangement may lead to intraunion rivalries and conflicts.

Barbara Rau conducted a very interesting study by examining salaries of 11,324 top and middle managers serving in finance, manufacturing, marketing/sales, and personnel functions. The data seem to be a convenient sample from a consulting firm. Drawing from literature in labor economics, strategic management, compensation, and organizational theory, the author proposed ten hypotheses regarding the wage effect of managerial functions, strategy, and other organizational characteristics. While these are very interesting hypotheses, the variable measures and empirical tests results are somewhat confusing. Model 1 in Table 3 is not really meaningful because it does not include any control variables. Model 2 is really the most interesting one, but the author did not report either the individual regression coefficient estimates or F-statistics for each group of variables. Thus it is very difficult to interpret the empirical results. Further, it is not clear what the author means by saying, "Pay among functions was statistically significant. . . . Comparison to Model 3 shows that half the explanatory power of function was retained after adding control variables." In Table 4 the author presents the so-called interaction model, but again the results are hard to understand. Even though the page limits of this session put enormous pressure on the author, a better presentation of the empirical results could make the paper much more interesting.

Again, all these comments are based on the abstracts and short papers that the authors sent to me, not on the entire dissertation.

## DISCUSSION

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Let me start by saying that all the dissertations represent an extraordinary amount of work and each is well executed. In addition, each of these dissertations deals with issues of importance to researchers to which I will turn as I address each one.

In her dissertation Barbara Rau poses the following research question: Do job, organization, and individual characteristics explain why there are differences in managerial base pay across functional areas? She constructs a data set consisting of 255 firms from several sources, including a compensation survey, Compustat, and several others.

In her results, Rau finds stronger support for her first model, which looks across firms, than for her second model, which considers intrafirm differences. I am left wondering why the hypotheses regarding these intrafirm differences weren't supported in her study? I wonder if it has something to do with the measures she used to capture the constructs outlined in her study. Also, could the nature of the sample be driving the results? That is, her sample contains firms that are larger and have greater sales than the average Fortune 500 company. Is there something about these large companies that would deny support for her hypotheses? I'd like to have had her speculate about the reasons.

I'd also suggest that she speculate on what it means that differences in base salary by functional area *are not* related to the level of power that each holds and their importance to the organization's goals or strategy. This is an important finding, if true, that contradicts much current research in the strategic HRM area.

Howard Stanger studied the evolution of modern grievance procedures over one hundred years in a printers' local union (ITU) in Columbus, Ohio. Stanger rightfully points out how seldom we in IR incorporate the work of historians. This is an opportunity missed, I believe.

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This work painstakingly reviews trends and level of incidence of the types of grievances and the mechanisms by which they were settled. The result is the emergence of three relatively distinct periods in grievance management.

An important lesson from this historical review is the influence of exogenous factors on the grievance process. Perhaps Stanger could, based on his findings, suggest which conditions encourage a formalizing of the grievance process or which conditions are needed for a more informal and democratic process. This would be relevant for unions and firms today.

A point of interest to me that I believe could also be of interest to those establishing grievance procedures in their own organizations is the peer review system in the ITU and the democratic and open way in which the resolution of grievances was approached. I was especially interested in the practice of publishing decisions and distributing them to all locals. It seems to me that if used regularly, this practice of sharing information should reduce grievances.

I think the author would do a service to managers and union leaders today by enumerating very plainly and specifically how this union's internal grievance procedure worked. Perhaps some "old tricks" could be taught to "new dogs" with good results.

## VI. COMPARING ORGANIZATIONAL PRACTICES: METHODOLOGICAL ISSUES

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### Methodological Issues in Panel Surveys of Organizations

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Of particular interest to industrial relations researchers are questions concerning the extent of change in human resources management practices and in the organization of work (as a result of new technology or new approaches to job design). Claims about how rapidly or widely one or another practice is being adopted by employers cannot be assessed without collecting systematic information about these organizational practices over two or more time periods. A panel survey of organizations can be used to directly measure these changes; this method always involves the collection of the same information from the same organizations and the same respondents (wherever possible) for at least two different time periods.<sup>1</sup>

#### **Timing of Panels and the Selection of Informed Respondents**

Special methodological issues arise in conducting a panel survey of organizations. These include considerations in setting the appropriate time interval between waves and the criteria for selecting individual respondents that are knowledgeable about specific organizational practices.

*Time interval between panels.* A researcher has to decide how long a time interval to wait between waves of data collection. The key consideration is that the time period between waves should be sufficiently long to

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allow for the type of changes that you want to study to have a reasonable chance of actually occurring. Some practices, such as turnover or hiring, occur frequently enough that a survey repeated each year can capture change in these practices. Other changes, such as the introduction of new technologies and associated changes in the organization of work, take a much longer period to manifest themselves. Even when a new technology is widely known and acknowledged to be an important source of productivity improvements, it will not be immediately adopted by all potential organizational users. In many instances, years may elapse without any installation of new technology (or any purchases of new equipment) at an establishment. Moreover, the initial installation and implementation stage for a new technology can take a long time to complete (Tyre and Hauptman 1992). In one company I studied, for example, before a new (large) piece of equipment could be installed, a special flooring had to be built to prevent the vibrations of the new equipment from interfering with the operations of other machines in the factory. Six months elapsed before the construction project and the installation of the new machinery was completed.

In my longitudinal study of the introduction of new programmable machine tools, I surveyed the same sample organizations in 1991, four years after the first wave. In 1987 the results of the first wave showed that 47% of the 1,363 plants had adopted at least one computer programmable machine. By 1991 the use of the new technology had spread to 58% of the plants. That change represents a 23% increase in the overall adoption rate of this technology over the four years, or a per annum change of only 5.75%. Obviously, if I had conducted a survey only one year after the 1987 study, I would have observed little change in the diffusion of this new technology among the sample plants in such a short period of time.

*Choosing a replacement for a respondent.* A second issue in the design of panel surveys of organizations concerns the problem of choosing an appropriate respondent and deciding when a replacement is necessary. In the simplest case, when the organization is the unit of analysis (rather than the individual or groups of individuals within an organization), the survey researcher selects a particular respondent who is employed at the organization and who is especially knowledgeable about the subjects being investigated through the questions on the survey. In my study, the main subjects are the organization of work, the use of technology, and other factors affecting productivity in the performance of a particular set of manufacturing "tasks": precision-machining operations whereby metal is cut and shaped. In preparing for the first survey, I decided to select the manager or

engineer who was the most knowledgeable about the machining process at the plant. Each plant manager was asked to give the name and title of the individual who fit this description.<sup>2</sup> Generally, the respondents identified through this process were either production managers supervising these operations or engineers responsible for implementing new technology at the plant. The questionnaire, reminder post cards, and all subsequent follow-up contact were directed to the named individual.

Preserving consistency in data collection procedures from one wave to the next is a consideration in selecting replacements for individual respondents. Whenever possible, in subsequent panels the researcher will want to interview the same respondent. For a panel that takes place several years after the first wave, the researcher should expect to replace at least some of the initial respondents. The person interviewed in the first wave may no longer be employed at the establishment, or if the individual is still employed, he/she may not hold the same position. For both these situations, a replacement respondent is necessary. For my 1991 survey, CSR interviewers conducted the survey with the same person if he/she held the same position at the plant. Otherwise, the interview was conducted with a substitute who had replaced our initial respondent in the same role/function at the plant. The main issue in selecting replacement respondents is to do so consistently. Whatever procedure you decide on should allow the interviewer to easily identify the appropriate person who can report on organizational practices from the same vantage point as the first respondent.

### **Plant Closings and Other "Losses" to the Sample**

The generalizability of results from a panel survey to a population depends, in part, on the extent of unexplained loss from the sample that occurs from one period to the next. There are a number of sources of potential loss from the original sample of organizations that need to be considered in designing and implementing a panel survey. These include plant closings and business failures, changes in location, changes in task, and changes in ownership (or organizational identity). Some of these changes unavoidably reduce the sample of potential respondents. An important factor affecting the completeness of responses arise from a failure to distinguish between refusals and unavoidable losses to the sample due to plant closings and other changes that reduce the eligible sample. Table 1 illustrates how key changes in the status of sample plants between 1987 and 1991 affected the eligible sample size for my 1991 survey and the calculation of the overall response rate.



TABLE 1  
Follow-up Selection Procedures for Second Wave of Panel Survey  
on Establishments Engaged in Machining Tasks

	No. of Plants
Completed Responses Resulting from First Wave, 1987 Survey*	1,363
Effective response rate	89.4%
1990 Follow-Up Confirmation of Establishment Status (conducted by Kelley and the Center for Survey Research)	
Confirmed plant closings or companies out of business	89
Presumed plant closings or business failures (no phone, no listing in local directory, unknown to local chamber of commerce)	45
Total no. of closed plants	134
Potential 1991 Sample	1,229
1991 Screening for Task/Process Continuity (conducted by CSR)	
Plants that no longer perform any machining tasks	65
Potential 1991 Sample of Machining Establishments	1,164
1991 Second Wave of Panel Survey (conducted by CSR)	
Refusals**	191
No. of plants with completed surveys***	973
Effective response rate (973/1,164)	83.6%

*Notes:*

- \* See Appendix for details on sampling procedures and calculation of response rates for the first wave of the panel completed in 1987.
- \*\* Refusals include respondents that refused to participate at all in the second wave (n=117) and cases where repeated follow-up efforts failed to yield a completed survey (n=74).
- \*\*\* Five of these cases have missing information on machining status in 1987.

*Plant closings and business failures.* For a survey in which the establishment is the organizational unit of analysis, a plant that closes or a single plant firm that goes out of business is clearly no longer available to respond. For my 1991 survey, I designed a procedure to identify potential plant closings and business failures. In 1990, CSR interviewers attempted to call all 1,363 plants that had responded to the 1987 survey, using the telephone numbers and addresses compiled during the conduct of the first wave. There were over 400 cases that involved name and address changes, incorrect telephone numbers, or other difficulties that required further investigation to determine if the organizational unit was still eligible to be interviewed.

In a four-month long research project involving two graduate students, I completed an investigation of all of the cases where there was an ambiguity about the organizations status as an ongoing business. That investigation yielded 134 instances of closed plants. The rest of the cases involving ambiguous name and address changes were resolved as instances of plant relocations, changes in ownership, or were determined to be only minor name and address changes that did not signify a major organizational change.

Confirmed closings were determined by interviews with the following sources: the headquarters of multiplant firms, respondents to my 1987 survey who still lived in the city or town where the closed plant was located, other former managers identified by a security guard or some other person answering the phone at a particular site, local Chambers of Commerce, or state agencies responsible for keeping track of plant closings. The 45 cases classified as presumed closings are cases where the plant (or anyone affiliated with it) could not be located despite numerous attempts. Since the search for information on the status of these plants included the local Chamber of Commerce, local telephone directories and directory assistance, bankruptcy attorneys, and the offices of state governments responsible for keeping track of plant closings, I am quite confident that these business are not still functioning. Moreover, in 7 of the 45 cases, the establishments phone was no longer in service, directory assistance had no other telephone number, and other methods of contacting an informant knowledgeable about the plants status were unsuccessful.<sup>3</sup>

*Changes in tasks.* One way to classify an organization is by the kinds of tasks that are performed in a unit (Van de Ven and Delbecq 1974). An organization that radically alters the kinds of tasks it performs from one survey period to the next may be considered a new entity. A manufacturing plant that ceases to perform any manufacturing tasks and turns the facility into a distribution center for products made by other companies has undergone a radical change in its tasks that will require different skills and technologies. Because my research focused on the centrality of machining tasks in the plant, I treated a plant that no longer performed any machining operation as a radical change in the organizations task set. Such plants were considered to be ineligible for the main 1991 survey.

All of the 1987 cohort were engaged in machining, and those that did not perform any machining were not eligible for the survey. Similarly, in 1991 the interviewer asked questions designed to screen out plants that no longer performed any machining tasks.<sup>4</sup> Fortunately, since machining is a central production process of the plants in the sample, there were only 65 plants that no longer performed any machining at the time of the 1991

survey. Obviously, in such cases the topics of central interest to the survey—machine tool technology, work practices, and the types of products manufactured through that process—were no longer relevant. As with the 1987 sample, such plants were treated as ineligible and excluded from the potential sample of machining establishments.

*Changes in location.* For some purposes, an organization that moves its operations from one site to another may be considered a “new” entity. However, companies may move to a new facility for reasons that reflect the continuation of the same organization at the initial location, as in the case of an expansion. I considered two features of a move to be important in determining whether the change in location signaled a continuation of the same organization at the original location. For an establishment that reported a change in address that implied a new site, the two criteria were (1) the plant still performed machining operations at the new location, and (2) at least half of the production workforce also moved. There were 63 cases of such moves. All are included in the eligible sample of 1991 organizations. Another 11 cases of apparent relocations are included in the count of plant closings. In each of these, even though equipment was moved to the new site, a substantial share of the production workforce did not (or by company policy was not allowed to) relocate to the new site.

*Changes in ownership.* With regard to classifying an organizational unit as a continuation of an existing entity, changes in ownership present the most difficult problem. Ownership changes include everything from the passage of a small privately held company to a new generation of owners within the same family, to corporate acquisitions and mergers. For some purposes, such as ecological studies of industries, mergers are often treated as a type of “death” of an organization, akin to a plant closing (Carroll 1984; Freeman et al. 1983). However, at the establishment level of analysis, a change in ownership may simply mean the replacement of one corporate headquarters with another. I identified 170 instances where the plant changed owners and the location and the process remained the same. Another 12 plants changed owners and also moved to a new location, but a substantial share of the production workforce also went to the new site. For the purposes of my research, only if the plant closed or the plant no longer performed machining was a change in ownership associated with an organizational “death.”

### **Implications for Designing and Planning Panel Surveys**

The timing of the panel, respondent continuity and replacement, organizational “deaths” or radical transformations of organizational units are all

issues that need to be addressed in planning and designing any panel study of organizations. The way in which these issues will be addressed will surely vary with the type of study and the subjects of the survey. What is most important is to establish a consistent set of procedures about how you plan to handle these issues *before* going out in the field with the final survey instrument. One of the side benefits from setting up a systematic method (i.e., screening questions that are asked of all organizations about relocations and ownership changes or a procedure for determining plant closings and business failures) is that at the end of that process you will have data to address new questions about organizational change. In my cases these procedures yielded data that allow me to investigate how important labor relations practices and investment in new technology at an earlier period affect the likelihood of a plant closing or the departure of the enterprise from a particular kind of manufacturing.

APPENDIX  
1987 Sampling Procedures and Calculation of Response Rates

No. of Employees in Plant	Stratum 1 (<20)	Stratum 2 (20-49)	Stratum 3 (50-99)	Stratum 4 (100-249)	Stratum 5 (250+)	Total Sample
Randomly selected sample within size stratum from Dun and Bradstreet listing	450	450	450	450	450	2,250
Sample stratum weight (reciprocal of probability of selection into sample)	170	28.6	14.2	11.4	11	
Eligible to receive mail questionnaire based on screening (plant open & does machining)	396	428	405	413	422	2,064
No. of mail surveys received prior to 2nd stage telephone interview	154	206	179	236	225	1,000
Valid nonresponses (NOT including refusals or closings)	254	200	210	162	176	1,002
50% random sample of nonrespondents selected for telephone survey	127	100	105	81	88	501
Sample weight for tel. responses reciprocal of the prob. of selection = 2 x sample stratum weight	340	57.2	28.2	22.8	22	
Screened out: no longer in machining or plant closed	14	3	5	2	1	25

APPENDIX (Continued)  
1987 Sampling Procedures and Calculation of Response Rates

No. of Employees in Plant	Stratum 1 (<20)	Stratum 2 (20-49)	Stratum 3 (50-99)	Stratum 4 (100-249)	Stratum 5 (250+)	Total Sample
Eligible to undergo 2nd stage tel. survey	113	97	100	79	87	476
Completed tel. surveys*	100	72	72	62	67	373
Mail questionnaires received from respondents to 2nd stage	5	2	3	2	3	15
Unweighted response rate to 1st stage mail survey	$(154+5)/396$ = 40.2%	48.6%	44.9%	57.6%	54.0%	49.2%
Weighted 1st stage response rate**	$(154+2*5)/(154+2*113)$ = 43.2%	52.0%	48.8%	60.9%	57.9%	52.8%
Unweighted response rate to 2nd stage telephone survey	$100/113$ = 88.5%	74.2%	72.0%	78.5%	77.0%	78.4%
Combined stages 1 & 2 effective response rate (weighted)	$(154+2*100)/$ $(154+2*113) =$ 93.2%	87.5%	85.2%	91.4%	90.0%	89.4%

*Notes:*

\*Ten cases were dropped from the final sample due to incomplete information needed to determine status of machining activity at plant. Hence, a total of 1,363 machining establishments completed surveys in 1987. Of these, 1,015 completed the longer mail survey instrument.

\*\*The computation of the weighted response rate for the first stage treats a questionnaire mailed in by a telephone respondent as a case resulting from a two-stage sample selection procedure. Within a stratum, all plants selected for the second stage have an equal chance of selection (with probability = .5). Hence compared to those selected only in the first stage, a telephone respondent has double the chance of being selected for an interview.

## Endnotes

<sup>1</sup> See Kelley et al. (1994) for an illustration of the use of panel survey data to assess how widespread and institutionalized the practice of labor-management problem-solving committees has become as a form of employee participation among U.S. manufacturers in certain durable goods industries.

<sup>2</sup> For details on the sampling procedure used in the first wave, see the Appendix. For a comparison of Dun and Bradstreet's listings to other organizational sampling frames, see Kalleberg et al. (1990).

<sup>3</sup> In 1992, I also requested information from Dun and Bradstreet (from whose listings the original cohort of establishments was drawn). D&B was able to locate 4 of the 45 plants in the presumed dead category. That D&B had observations on these plants should not be taken as indicating that any of the four are actually viable enterprises as of the 1991 survey, since D&B does not exclude plants from its list immediately after a closing or business failure. Several years may elapse before this change is recorded. Moreover, D&B identified 7 of the 78 cases of plants as still open in 1992 that our interview procedures had confirmed as plant closings in 1990. Note that 11 cases of confirmed plant closings are instances of a company moving equipment to a new location, but not a substantial share of the production workforce.

<sup>4</sup> However, the plant manager was also asked a number of questions about the organizational characteristics, the kinds of tasks that were performed at the plant, and the reasons for no longer performing machining.

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# How Do You Survey Firms?

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Recent industrial relations and human resource (IR/HR) research has applied advances in multivariate statistical analysis and other quantitative techniques to the comparison of IR/HR practices across organizations, industries, and nations. Over the past decade a number of studies have drawn upon survey-based comparisons of organizations to examine the causes of variation in IR/HR practice and the effects of differences. This work has proceeded in the conspicuous absence of a coherent methodology. While there is a voluminous methodological literature on conducting surveys, nearly all of this literature discusses the surveying of individuals (see Rea and Parker 1992). For this paper, we examine survey research as it is presented in recent literature and take preliminary steps toward a methodology of surveying organizations. As a basis for the heuristics we suggest, we reviewed more than 30 surveys (Appendix) used to study the role of IR/HR in organizations. We consider three categories of decisions that survey researchers must make if they are to use survey data to examine the determinants or the effects of IR/HR practices.

## **Levels and Units of Analysis**

Most of the research we have reviewed invokes an explicitly macro- or meso-level (Cappelli and Sherer 1991) approach to IR/HR research questions. As such, it represents something of a backlash against the micro-level focus that dominated American journals in the 1970s and 1980s and a return to more institutionally directed research that was characteristic of earlier periods. The focus on micro-level data combined advances in quantitative techniques for testing hypotheses with easily accessible public information. Large-sample data sets at the macro-level (such as the sort that characterizes research in competitive strategy or organizational ecology) have rarely contained enough information on IR/HR practices to be useful. Yet it has become clear that data sets comparing practices are quite helpful in developing and testing theory to answer questions about the

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determinants and effects of variation in IR/HR practices. As the Appendix demonstrates, researchers have turned to proprietary surveys to compile data sets with which they can compare practices across organizations. More recently, efforts such as the National Organizations Study (NOS) indicate the emergence of public support for the collection of such data.

Some of these surveys explicitly target the broader organization: the corporate holding company, or stock market entity. Respondents and subjects at this level are easy to identify, and survey findings, particularly for publicly traded firms, may be matched up against market data and other information such as that contained in the Compustat database. We find this focus troubling: the diversity of jobs, technologies, and institutional environments faced by different establishments in many large corporations limits the usefulness of corporate-level surveys of IR/HR practices. Establishments within one company can exhibit radically different IR/HR practices. For example, a corporate survey that measures IR/HR practices at General Motors would not distinguish between a traditional plant, the influences of Toyota on NUMMI, the new IR environment at Saturn, and the overseas operations of GM, let alone activities on the non-manufacturing side in marketing, design, and finance. Without a clear notion of how this diversity is aggregated, data gathered at the corporate level is difficult to interpret. Further, distant corporate-level perceptions of IR/HR practices may be only weakly related to actual practices in the workplace.

If the intent is to study general corporate policies toward IR/HR or top management's impressions of IR/HR practices, this approach may be acceptable. However, data that reflect implemented practices accurately are also necessary if we are to further develop our understanding of IR/HR variation, its causes and effects. Surveys at the establishment level avoid the difficulties of corporate-level data. It is easier to focus on a few core groups of employees. Informed respondents at the level of the establishment typically have accurate knowledge of current practices.

The measurement of practices at the establishment level is also consistent with theory that links IR/HR and performance. This meso-level theory presumes that establishment-level actions affect individual and group-level behaviors, attitudes, and outcomes. True meso-level research designs, however, require a large sample of organizations, and a sampling of individuals within those organizations. Such designs are difficult to implement, and such studies have rarely been undertaken. Cappelli did so in a study of public utilities; the matching of the NOS and General Social Survey also enables testing of some meso-level theory; and the Economic Policy Institute is currently engaged in such a survey.

One alternative approach to meso-level questions is to survey individuals, measuring micro-level behaviors and attitudes, and asking respondents about the practices of the establishment where they work. While interesting, this raises many questions related to single-respondent bias (see below); without multiple respondents from common establishments or other reliability checks on respondents, it is difficult to make the case for this as a comparison of organizations. Further, it provides few guides as to the aggregation of micro-level responses to answer questions at the organizational level.

Many of the surveys we examined take a second approach, seeking establishment-level indicators of performance (such as quality or labor productivity) that might be linked to characteristics such as skill, commitment, motivation, and teamwork. Researchers examine the impact of organization-level practices on these outcomes, controlling for other possible influences (such as technology in use). An alternative is to use broader indicators of micro-level outcomes to impute the effect of organization-level practices (e.g., through rates of unplanned absenteeism or turnover).

Although establishment-level surveys yield more useful and accurate data, such surveys present their own problems. For example, in performance-oriented studies it is hard to connect establishment-level data to measures of financial performance. Differences in cost accounting systems and respondents' reluctance to share confidential data make these comparisons difficult. There are many less than perfect ways to attack these problems, and we have tried several ourselves. Pil (with Cappelli) is using variation across establishments within large companies to impute financial performance data. Kalleberg and Moody (1994) use self-reported estimates of performance in various categories. Hunter chose to sample an industry where regulatory agencies of the government collect extensive information. Many single-industry studies create detailed measures of performance specific to the establishment or set of establishments in question. Such measures are difficult to generalize, but if researchers measure performance in focused, clearly conceptualized categories (e.g., labor productivity, quality, cycle time, customer service, and the like), the studies may guide us to patterns of results.

### **What Kinds of Questions Ought to Be Asked?**

Few of the surveys in our review ask questions related to traditional industrial relations issues. This is true of both outcome-oriented questions such as the number of days lost to strikes and practice-oriented questions such as how grievances get handled. Some questionnaires do not ask for the percentage of the work force that is unionized. Where the sampling

frame is chiefly nonunion (as a random cross-industry sample in the U.S. would be), the inclusion of questions about grievances or strikes may seem to have small benefit, and it may be difficult to find measures of conflict or disputes in nonunion settings that can be interpreted easily. However, information on voice and information sharing has relevance in nonunionized settings as well as traditional unionized settings, and questions related to information sharing or dispute resolution mechanisms also receive little emphasis.

The surveys also feature few questions in traditional areas of personnel (such as staffing and selection) where human resource managers spend a large portion of their time. Most of the surveys we reviewed collect basic demographic information, including information on age, education levels, and sex. However, the level of detail in this area varies widely, and racial distribution is rarely addressed. Few surveys examine the management of diversity, affirmative action, or equal employment opportunity programs. Also receiving little attention in most surveys are nontraditional approaches to time spent at work such as work-share arrangements and telecommuting.

One might expect connections between these IR/HR practices and both firm strategies and outcomes, yet these remain the domain of researchers operating at micro rather than higher levels. Researchers may be avoiding many industrial relations questions, questions about the racial or gender composition of the work force or job categories, or questions about the management of diversity because they correctly believe such questions will deter firms from participation in the survey. Our experience leads us to suspect that unless organizational representatives know and trust the researcher, researchers should include these questions with caution. Respondents may fear, for example, that researchers or others will use the data to make inferences about their organization's compliance with the National Labor Relations Act or with equal employment opportunity laws. However, researchers can do more to craft questions relating to employee voice, information sharing, and alternative work arrangements so as not to suggest these problems while still providing useful information.

If little attention is paid to many core industrial relations and personnel issues, what is being studied? The studies of the past five or six years typically examine "high performance" or "high involvement" work systems (see Appelbaum and Batt 1994). Virtually every characterization of high performance work systems includes several key human resource practices, and questions related to these practices are found in almost every survey we reviewed: (1) To what extent are there teams and team work at the "shopfloor" level within the organization? (2) Is there gain sharing? Pay for

performance? Small- or large-group incentive systems? (3) Are there quality circles? (4) Are firms investing in skill formation through on- and off-the-job training? (5) Do firms offer employment security such as protections against layoffs?

Many of these surveys feature precise measures of IR/HR practices rather than perceptual questions. The most accurate measures of practices and conditions often reflect industry-specific situations. Generalization remains difficult, however, for the disparate measures of practices and outcomes, the choices of which practices to measure, the analytical tools, and the resulting constructs vary dramatically. As future questionnaires draw on existing ones, we hope to see increased replication of questions across time and across industries. By providing greater comparability, surveys and resultant findings will be less idiosyncratic.

Studies based on these surveys point in similar directions: transformed workplaces seem to be associated with a production strategy deriving competitive advantage from quality rather than from low labor costs, for example. Another consistent empirical finding is that bundles or groups of practices are associated with superior performance (Ichniowski, Shaw, and Prennushi 1994; MacDuffie 1995). This increases the required complexity of a survey markedly, for it means that one cannot simply focus on the measurement of training practices, the organization of work, or compensation systems in isolation from one another.

Breadth, specificity, and replication of questions seem critical to understanding the causes and effects of IR/HR variation. The obvious implication is richer, more detailed questionnaires. This in turn raises challenges in gaining commitment from respondents. Where researchers face resource constraints that prohibit them from accurately measuring bundles of practices across a sufficiently large sample, they might be better served by other research methods. Smaller samples, matched pairs, and case studies can address important questions. Focused longitudinal studies of the adoption of new practices and of the effects of changes in practices will also contribute to our understanding.

### **Potential Problems in Establishment-Level Surveys: Gathering Facts**

Once researchers select appropriate units of analysis and have considered the array of questions they wish to use, they must actually write questions to gather the information. Our survey collection suggests many garden-variety questionnaire problems such as leading questions, questions with unclear terminology, and double-barreled questions. These problems are addressed well in the micro-methodological literature. This literature,

however, focuses chiefly on how to survey individuals with respect to subjective data. While a few surveys we reviewed focused on general perceptions, policies, or approaches to IR/HR issues, most sought sets of objective facts about actual practices. We therefore address here three types of problems with particular relevance in establishment-level surveys that relate directly to researchers' preference for developing objective data. These include problems of respondent reliability, frame of reference problems, and reliance on closed-ended questions.

### *Respondent Reliability*

Surveys typically involve a single respondent because this yields higher response rates than surveys that require participation by more than one person. Such surveys are simpler logistically, and it is easier to get cooperation from one person in an organization than from several. Single respondents are not ideal for organizational-level studies, however, because respondents' own position or experience may bias their responses. This is less true with questions that are more objectively grounded and where researchers can identify the "most informed respondent" (Huber and Power 1985). Even where questions focus on objective information, however, a single respondent in all but the smallest establishment may not be the best respondent for all the sorts of questions a researcher would like to ask.

Single respondent problems are heightened when a survey respondent is asked questions relating to multiple activities of the organization but does not possess background or information on all areas. Where respondents do not have accurate information on everything, they provide only perceptions of what they believe to be the correct answers. Although these perceptions are interesting, they are not actual practices, and good studies of organizational perceptions require multiple respondents as reliability checks.

Single respondent problems are a particular concern in telephone interviews. Telephone surveys place single respondents under still more pressure and are more likely to yield perceptions rather than practices. Although response rates to telephone surveys are often 50% to 100% higher than responses to mailed surveys, researchers need to take care that the questionnaire is focused and that respondents are knowledgeable about the topic under consideration. Telephone respondents will not be able to seek out answers to questions; rather, they will respond with best guesses.

The same problems facing those doing telephone surveys may face those doing written surveys. Lengthy questionnaires may daunt respondents, particularly where questions cover topics with which the respondents are unfamiliar. Single respondents may be insufficient for studies

linking human resource practices to other organizational practices of interest, for example. Solutions to this problem exist but are costly. Arthur (1992), for example, used two separate surveys in his research on mini-mills—one dealing with industrial relations issues and another dealing with business strategy. MacDuffie and Pil (1994) took another approach in their study of auto assembly plants. They separated questions by topic in their survey and requested that a single contact person distribute each section to the person most knowledgeable about that topic. This allows for the collection of more in-depth and accurate information on a broad range of issues.

Either the multiple survey or single survey/multiple-respondent approaches help ensure that questions are being answered by those most likely to respond accurately, yet each approach has drawbacks. Lack of overlap in response to multiple surveys can reduce the usable sample dramatically. In Arthur's case, 29 of 54 mini-mills returned both surveys, though 40 out of the 54 questionnaires on plant strategy had been returned. MacDuffie and Pil found that it requires extensive up-front effort to identify an appropriate and cooperative contact person in each organization and considerable follow-up with the contact to ensure responses.

It is conceptually appealing to gather longitudinal data in one survey for empirical relationships identified in cross-sectional studies admit many plausible hypotheses, even where findings are strong. Unfortunately, retrospective data is particularly unreliable. Even seemingly simple records (compensation, turnover rates, number of employees) may be remarkably difficult to access; organizational memories are short. Answers to more detailed questions around work organization are even more dubious. Lack of reliability also stems from managerial rotation. New managers may not have easy access to accurate retrospective data, and further problems arise because nonrespondents can introduce significant biases into the analysis. Where researchers require time-series data, actually collecting such data in real-time panels is much more time consuming, but far more accurate and reliable.

### *Frame of Reference Problems*

Frame of reference problems arise when a concept does not have a clear, universally understood meaning. Take, for example, the concept of teams and teamwork. One survey measures teamwork by asking, "Are your employees involved in self-directed work teams? When did you start a program for self-directed work teams? What percent of the current work force is involved in such teams?" These types of questions presume that respondents have a good understanding of self-directed work teams and their use in the organization. They further assume that the surveyor's understanding

of such terminology matches that of the survey respondent. Asking a few more key questions to assess distinctions that are important theoretically will allow the researcher to determine whether establishments use teams, and what type of teams they are. Such distinctions include whether team leaders are elected, the size of the teams, and the functions of the team. The original question can be matched against these more detailed questions to provide insights into perceptions; that is, how practitioners view and describe teams.

Surveys should take care to establish baselines where necessary. Take, for example, the following question, "Please tell me which category best describes the current educational level of your workers as it relates to their ability to perform their jobs adequately: Machine operators—(1) too little education, (2) sufficient education, (3) too much education." Although this provides some information, its usefulness is enhanced significantly when the researcher has detailed information on the education the machine operators actually have.

It is critical to anchor respondents' frames of reference with definitions and attention to detail. Many of the surveys we examined do this well; however, the anchors are often quite industry- and technology-specific. Such anchoring may result in differences in constructs, analysis, and results. Future work might use questions that are both anchored and can be interpreted consistently across industries. Retrospective data poses its own anchoring problems. For example, questions should have baseline reference. One example of a question we found, "Would you say [a specific job] has become (A) more complex or skilled, (B) less complex or skilled, or (C) is it equally complex and skilled but requiring different types of skills?" Without knowledge of what the complexity or skill level of the job was several years ago, the information provided by this question is of limited use in comparing across organizations.

### *Closed-ended Questions*

Questions and question structure vary dramatically from survey to survey. The question structure reflects conscious choices by researchers on the type and depth of information they are looking to collect. Let us consider one distinction—that between open- versus closed-ended questions. Most of the surveys place great reliance on closed-ended questions. Although these are shorter and useful in guiding respondents, such questions can reduce the level of useful information from the survey. The very thing that makes closed-ended questions desirable weakens them: it is easier for a respondent to provide an answer. The trouble is that an answer may be given even where the respondent has little idea what the actual answer is.

Furthermore, care needs to be taken that categories encompass all possible answers, and this may require considerable knowledge of context.

Where time and resources permit, open-ended questions are useful as reliability checks. When respondents give unusual or surprising answers, these responses can be followed up to see whether or not they represent organizational reality. Situations where organizational reality differs markedly from the norm may be of particular interest to researchers. Furthermore, open-ended questions relating to concrete information reduce another source of bias. Respondents may answer all closed-ended questions in a particular fashion (e.g., always at the high end of the scale or at the low end of the scale).

## Conclusions

We have argued for a focus on the establishment level in IR/HR surveys. We have not mentioned sampling issues at this level, but Osterman (1994) and Marsden, Cook, and Knoke (1994) deal with those effectively. We have offered an overview of the topics traditionally covered in HR/IR surveys. Despite emphasis in the literature on HR systems and bundles, these are often not measured, or measured inconsistently. Lastly, we have introduced problems common to establishment-level research that are not found in research at the micro level. It is our hope that this will provide a base for the development of greater research on the methodological and theoretical issues surrounding establishment-level surveys.

## APPENDIX

This table provides a partial list of surveys collected by Frits Pil. If you would like examples of different types of surveys or need examples of particular types of questions, write to him. Similarly, if you have done a survey in industrial relations or human resources and are willing to share it with the academic community, please send a copy to Frits Pil, Department of Management, 2000 Steinberg Dietrich Hall, Wharton Business School, University of Pennsylvania, Philadelphia, PA 19104.

MIT Work Innovations Survey  
Rose Batt, Sloan School MIT

Survey of Employee Experience of Organizational Transformation and Workplace Innovation

Eileen Appelbaum, Economic Policy Institute

1994 Survey of Japanese-Affiliated Manufacturers in the U.S. and their Suppliers

Richard Florida, Carnegie Mellon University

Wharton Financial Institutions Survey  
Chip Hunter, Wharton School

Inter-Firm Linkage and the Diffusion of Programmable Automation (U.S. Metalworking Sector)

Maryellen Kelley, Carnegie Mellon University

MIT Long-Term Care HRM Questionnaire

Chip Hunter, Wharton School



- Textile and Apparel Industry Survey  
Tom Bailey and Donna Merritt, Columbia University
- Organization of Work in America  
Paul Osterman, MIT Sloan School
- International Assembly Plant Study, International Motor Vehicle Program  
John Paul MacDuffie and Frits K. Pil, Wharton School
- Electronics Industries Association Study  
Frits Pil and Peter Cappelli, Wharton School
- Competitive Semiconductor Manufacturing Study—Interview Guide, Employment and HR Survey: Rob Leachman and Sara Beckman, U.C.-Berkeley
- Public Utilities Survey  
Peter Cappelli, Wharton Business School
- Working with Technology (Parts I & II)  
Economic Council of Canada
- Worker Questionnaire and Personnel Manager Interview  
Guide, Lincoln and Kalleberg
- Human Resource Practices Survey 1993  
Gordon Betcherman, Queen's—University of Ottawa Economic Projects
- NTT Personnel Manager Survey, from C. Brown, M. Recoh, and D. Stern, U.C.-Berkeley
- Worker Training and Work Organization Survey, Oregon, Office of Educational Policy and Planning
- Project on Regional Industrial Economics  
Defense Survey, Jonathan Feldman, Rutgers University
- Electronics Firms Skill Assessment  
D. Thomas, Penn State
- National Organizations Study, University of Illinois
- Training Expenditures Survey  
Australian Bureau of Statistics
- Mass. Metal Working Industry, U. Mass-Boston
- Needle Trades Questionnaire, NTAP Inc., Fall River, MA
- General Social Survey: Work Organization Module, Employee Satisfaction Module, New Work Org. Module
- United States General Accounting Office  
Survey of Federal Organizations. Focus on Quality Management (1992)
- ESOP Survey, Northeast Ohio Employee Ownership Center (Kent State University). John Logue and Heather Cross (1992-93)
- Survey of Employee Participaton in Safety and Health, National Safety Council (Oct. 1993)
- Development Dimensions International, Survey on Self-Directed Work Teams (1990)

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# Surveying Unions: Lessons from Studies of Union Strategy and Planning

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*A carelessly planned project takes three times longer to complete than expected; a carefully planned project takes only twice as long!*

Careful planning is critical to union survey research. The suggestions offered in this piece all commence with careful planning, which is the “number one lesson” for conducting union surveys. The first step in this planning is to determine whether the research question of interest is best answered through survey research.

## **Survey Research Frequency**

A review of industrial relations journal articles over the past two years reveals that published survey research is not common. For example, in the *Industrial and Labor Relations Review (ILRR)*, out of 79 articles, only 19 utilized some sort of survey methodology. Of those 19, only 4 actually involved unions. Likewise, in the *Journal of Labor Research (JLR)*, only 3 of 52 total studies involved survey research. Why the propensity to use survey research is low is uncertain, but there are a number of speculative explanations. One reason may be that both designing and administering surveys are time-consuming and expensive activities with no guarantee of obtaining a representative sample or a reasonable response rate. Additionally, even given a reasonable response rate, perceptual data are hard to validate. Referees/editors are therefore critical, especially in terms of making the attitude/behavioral link. A final reason could be that researchers have not believed survey methodology to be the best way to gather data relevant to their research questions.

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## **Survey Research Applicability**

Surveys are appropriate when a researcher desires to determine the characteristics of whole populations of people or organizations (Kerlinger 1986). Survey data are also useful if the goal is to support or modify theory developed in a laboratory setting (Hippler, Schwarz, and Sudman 1987), and offer a way to ensure standardized measurement and probability sampling (Fowler 1984). Most importantly, however, survey research can collect data (e.g., perceptual or attitudinal) that are not available from any other source. Further, the data are usually collected under conditions of voluntary cooperation, anonymity, and confidentiality. Because of these conditions, accuracy and credibility are heightened.

## **Sample Determination and Access Issues**

Another step in the planning process is to determine the sample population. Is the appropriate level of analysis the individual or the organization? If it is the organization, should it be the international office, regional office, or local? Again, this depends on the research question. For example, in conducting research on union democracy, I chose an individual level of analysis because I was interested in union member perceptions of democracy in the International Typographical Union (ITU). My strategic planning research projects, however, use an organizational level of analysis since I am interested in organizational processes. The question dictated the level of analysis.

Another important consideration is accessibility. The union (organization) is often more accessible than (individual) rank-and-file union members. International, regional, and local union names, officers, addresses, and phone numbers are available from various publications. Therefore basic information needed to contact the sample population is readily available.

Beyond locating names in a publicly available document, there are other means of gaining access. For one study I volunteered my time for a summer to work at the local office in Seattle of the Service Employees International Union. As a result, the local president referred me to the international officers with whom I needed to speak in Washington, D.C. An extra benefit to this approach was that I was more knowledgeable about the union. Other times I have arranged meetings with local union presidents to explain my research, and if they felt it could be of benefit to their union, they referred me to their national/international offices. In contrast, another individual who conducts union surveys initiates contact with the national/international office first and then gains access to the local level. Both approaches seem to work!

If the desired sample population is individual union members, however, the researcher must somehow gain permission from the union to

access these individuals. This can be difficult unless the researcher can demonstrate how the study might benefit the union or has spent considerable time developing a rapport with the union officers. In my research I have used an individual level of analysis on two occasions: once to survey ITU members (Stratton 1989) and once to measure why individual Energy and Chemical Worker Union (ECWU) members planned to vote for or against a merger. To gain access to the membership of ITU, I approached the ITU local president, whom I had worked with previously on a different project. Because of this established, positive relationship and association with him, he trusted my motivation for conducting the research and was extremely helpful in distributing surveys to all of the members of the local union. In terms of the ECWU, I had come to know the national president through my union strategic planning research, and again, he cooperated due to the establishment of a relationship of trust. In return for his assistance, I was able to provide him with information about member perceptions in return for gaining access to the members.

### **Response Rate and Survey Design**

A third step in planning is to design a survey in such a way that you can achieve the highest response rate possible. Union response rates for written or mail surveys are notoriously low. Over the past two years the response rates listed in the *ILRR* and *JLR* have ranged from 18.5% to 68.7%, with a mean of 36.8%. Telephone surveys or in-person interview survey response rates ranged from 31% to 85.7%, with a mean of 65.2%, thus generating a higher response rate than mail surveys. Consequently, if you have the time and resources to conduct personal contact surveys, it seems the return rate is improved substantially. A low response rate is problematic since it is a major source of survey error, and the quality of data depends on the proportion of a sample from whom data are collected (Fowler 1984).

Three reasons have been cited by Fowler (1984) as to why a response rate may be low. First, the data collection procedures may never reach the respondents. Second, those asked to respond may refuse to do so. Third, it may be that those asked to respond are unable to do so for some reason (e.g., illness, or reading, writing, and/or language problems). A fourth reason may be the length and format of the survey. If the survey appears to be quite long, crowded together, or difficult to complete, it is likely the response rate will be lessened. In sum, getting the response rate to a reasonable level depends on the nature of the sample, the nature of the study, how motivated people are, and how easy the task is to complete.

An informal poll by an Angus Reid researcher of why union individuals did not respond to surveys revealed four different beliefs: (1) contacts knew the researcher had already interviewed the leadership, and they felt they had nothing new to say; (2) the individuals were not sure why they were contacted to answer questions for the union; (3) there was a suspicion that the survey was a TQM effort; and (4) there was concern about who would have access to the information. In other words, who were the clients for this survey? Academics *should* have higher credibility in terms that they are not selling the information but instead are using it to further knowledge. It is possible, however, that potential respondents may still be wary in terms of how information will be used.

Various ideas to reduce nonresponse have been put forth in basic research texts. For example, it has been suggested that researchers should send an informative letter in advance, present the purposes of the project, make sure respondents will not be threatened by the task, and ensure anonymity and confidentiality. Other suggestions include making sure the task is clear, designing an attractive, easy-to-read, uncluttered, short questionnaire, and making the response task easy (e.g., check a box or circle the number). Finally, follow-up mailings can be sent in hopes that people who did not receive or complete the first questionnaire will do so if provided with another chance.

The above are generic to any survey research. Other suggestions are especially relevant to union studies. The target audience can make a difference, e.g., union executive leadership, support staff, lesser officials, or union members. Union executive leaders seem to respond best face to face or gathering survey data via interviews. Support staff (e.g., research directors and administrative assistants) are more likely to respond to mail surveys and, in fact, are often delegated the job of responding. Therefore, while you may want the union presidents views and send a survey directly to him/her, don't expect it to be completed by the top executive. Also pertinent to a respondents level within a union, it seems the degree of suspicion about a project becomes greater the further people are from the top. Therefore, if you plan to survey individual union members or union local organizations, it is good to obtain endorsement for the project from the top of the union. If possible, have the national office send letters to members or local presidents encouraging them to participate in the research. Or, alternatively, in a mail survey, include a letter of endorsement in the initial packet.

Another critical aspect in terms of increasing response rate is to use union terminology and symbols. For instance, make sure that the survey is produced or printed in a union shop and that the union "bug" is on it.

When writing the cover letter, address it to “Dear Brother” or “Dear Sister,” and close with “Yours in solidarity.” Union terminology includes using wording such as “the worker” instead of “the employee,” or “management,” instead of “the employer.” There is a voice of labor, and that includes various union buzz words.

Another step in the planning of survey research is to conduct interviews of knowledgeable union personnel prior to designing a survey. A review of the literature is not adequate. While it seems that after reading all of the literature on your topic of interest everything relevant has been included in your research question and survey design, there may be virgin concepts or processes that past research has neglected. By definition, when you are investigating the unknown, you do not know what you will find! Therefore, to make sure you are not missing important data relevant to your topic, it is suggested that you talk with a number of different individuals from the union movement, including local and national officers, staff, and rank-and-file members prior to designing the survey.

Once the cover letter, endorsement letter, and survey are designed, pilot test them with a small group of unionists—officers, support staff, and rank and file—if appropriate. Develop a cadre of union contacts who might be willing to help on tasks such as this. Ask them to keep track of how long it takes to complete the survey, to comment on the length, and to write down questions or instructions that are not clear.

Finally, offer to share results with the respondents in return for their participation. If possible, arrange presentation sessions where you can present the research personally. If the sample is dispersed, summarize the results and their implications in a one- or two-page document and mail it to them.

## **Ethics**

As with any research involving human subjects, it is absolutely essential to follow strict ethical guidelines. Again, participation must be voluntary—you should inform respondents how the data are to be used and ensure confidentiality and anonymity. Participants should sign a written consent form declaring that they have agreed to take part in the study.

When dealing with only one union (e.g., a survey of its membership), it is also wise to share anything you write about the union with the officers before submitting it for publication for two reasons. First, they should determine whether or not they want their union to be specifically named in the research. It might be that the information could be damaging to their union in upcoming negotiations, or there may be some internal union politics or reputation issues involved whereby the union does not want to be

specified. Second, union officers might provide alternative explanations for conclusions, or they might concur with your implications. If there are alternative explanations, this can only improve your analysis; while if they concur, it can increase your confidence in the validity of the study. Third, sharing the results of a well-done study with the union may also increase their willingness to participate in future surveys.

### **Inadequacies**

With survey research, as with all research methodologies, there are inadequacies which can lead to survey error. If using a written questionnaire, the reliability and validity of the measures may be questioned. Better questionnaire design, such as asking the same question in a number of different ways, can increase researcher confidence in reliability and validity. Comparing characteristics of the respondents to the entire population can help offset the problem of low response rate if the characteristics are representative of the general population. It is important for external validity and generalizability of the findings to determine how representative the respondents are of the general union population.

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# Methodological Issues in Comparative Industrial Relations and Human Resource Management Survey Research

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The enduring interest in cross-national and comparative research in industrial relations (IR) is a logical extension of this field's traditional concern with theory construction and the applied problems emerging from the employment relationship (Kochan 1992; Kaufman 1993). Whether theory development is seen as testing the universality of general propositions (Kerr, Dunlop, Harbison, and Myers 1960) or achieving a deeper understanding of the relationship between institutional factors and industrial relations outcomes (Dore 1973; Maurice, Sellier, and Silvestre 1986; Osterman 1988; Turner 1991), theoretical questions will continue to pique our interest in cross-national and comparative work. At the same time, the globalization of economic affairs is producing a myriad of questions for IR and human resource practitioners that are best addressed in a comparative framework.

Though many of the forces driving comparative IR research are not new, the substantive topics of this research are. In contrast to the decided concern with grand theory in the first decades after World War II, most contemporary IR research has again focused on testing relatively specialized theories applicable to limited ranges of data. This renewed interest in the middle range, combined with methodological advances in adjacent fields, has led to complementary changes in both the units of analysis and the methods of IR research. Individual and firm-level surveys are now part of the standard tool kit of most IR researchers, and we are likely to see an increased use of survey methods in cross-national and comparative IR research. As we move forward to use surveys in extending our domestic research, it is worthwhile to pause a moment to consider how we might

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regauge our instruments so they are suitable for a foreign environment. To this end, the aim of this essay is to provide a momentary respite to highlight the specific threats to validity that arise in comparative survey research and to consider some heuristics that may help us address these particular hazards.

Before proceeding with this discussion, it may be helpful to distinguish among cross-national and comparative research. Though these terms are used loosely and sometimes interchangeably, there are differences between them that are related to methodological considerations. For the purposes of this paper, I define cross-national studies as research where there are national differences between the researcher and her paradigm and the target country of study. In cross-national research, comparison between the home and target country are implicit and inevitable, even though no direct attempt is made to analyze data from firms and/or individuals in more than one country. In many social science disciplines, cross-national research falls under the general rubric of area studies. I define comparative studies, on the other hand, as research that explicitly compares patterns of firm-and/or individual-level data from more than one country, regardless of the home country of the researcher.

## **Threats to Validity in Cross-national and Comparative Survey Research**

### *Construct Validity*

A fundamental concern of all quasi-experimental research is that the operations intended to represent a particular theoretical construct do, in actuality, represent that construct. This ability to approximate generalizations about higher-order constructs from research operations is referred to as construct validity. Though there are numerous threats to construct validity, the problems of achieving identity between theoretical constructs and research operations can be broadly understood as a problem of either "construct underrepresentation" or "surplus construct irrelevancy" (Cook and Campbell 1979). Construct underrepresentation refers to a situation when research operations fail to incorporate all dimensions of the construct. Surplus construct irrelevancy, on the other hand, is a problem when a particular operation unintentionally measures constructs that are not part of the target construct.

The problem of construct underrepresentation is an important issue in both cross-national and comparative IR research and is not infrequently related to national trends in the host country of the researcher. If, for instance, we would like to investigate whether recent shifts in human

resource practices in the United States are paralleled in Western Europe, we would have to be particularly cautious in how we operationalize "organizational transformation." While there is considerable theoretical and empirical work suggesting that the presence of innovative practices such as team work, job rotation, total quality management, and quality circles might be good indicators of organizational transformation in U.S. firms (Kochan, Katz, and McKersie 1986; Appelbaum and Batt 1994; Osterman, 1994), these same practices may not capture conceptually comparable shifts in European economies (cf. Brewser and Tyson 1991). In other words, if we rely on a set of U.S. practices to operationalize organizational transformations in our target country, then we risk underrepresenting work practices that might be indicative of broader organizational changes.

Whereas construct underrepresentation would appear to be an equally important factor in both cross-national and comparative research and is often easy to identify, surplus construct irrelevancy is more nettlesome, particularly in the comparison of cognitive data of respondents from different national cultures. This became evident to Adler, Campbell, and Laurent (1989) when they administered a questionnaire, whose statistical properties were well documented, to three groups of managers in the People's Republic of China. The first problem Adler et al. encountered were empirical anomalies between survey results and the descriptions that Chinese managers had provided them about their respective organizations. During debriefing sessions, Chinese managers clarified the discrepancy by explaining that they had answered the survey questions by stating how they thought firms in the Peoples Republic of China should be managed rather than stating how these firms were actually managed. Based on this information, Adler et al. then provided explicit instructions for respondents to answer questions based on the real rather than the idealized situation of Chinese firms.

Subsequent data analysis and further debriefs, however, indicated additional problems that brought into question the validity of numerous construct operationalizations. For instance, in asking respondents to express their attitude toward the statement "It is important for a manager to have at hand precise answers to most of the questions that his subordinates may raise about their work," Adler et al. intended to measure the perceived nature of managerial tasks. Numerous administrations of this question to nationally diverse groups of managers led the research team to conclude that this operationalization did indeed measure national differences in the perceived role of managers (Laurent 1983). Swedish managers who agreed the least frequently among ten national groups (10%) justified their responses in debrief sessions by pointing out that they perceived themselves

primarily as problem solvers. Along the same lines, Italian managers, who agreed most frequently with the aforementioned statement (66%), explained that their responses were consistent with their function as experts in the organization. This is in contrast to the way Asian managers interpreted the statement and formulated their responses. Although Indonesian, Chinese, and Japanese managers agreed with this statement more frequently than any group of Western managers (73%, 74%, and 78%, respectively), their justification for these responses was not premised on their perceived functional roles. Rather, the Asian managers referenced the answer in social terms by suggesting that it was both impolitic and impolite to ask a superior a question that he could not answer. As one Japanese manager stated, "A Japanese [employee] would never ask his boss a question he [the boss] could not answer" (Adler, Campbell, and Laurent 1989:70). As a result of Asian managers responding to the social implications of this question, this operationalization measured a construct surplus to the functional role of managers.

Riordan and Vandenberg (1994) provide further evidence that the problem of establishing construct validity across cultures is related to the different reference frames of distinct cultural groups. In a study notable for its research design and innovative utilization covariance structure analysis, Riordan and Vandenberg demonstrated that Korean and U.S. managers employ different frames of reference which prove problematic in establishing an identity of conceptual constructs across the two countries. By analyzing responses of Korean and U.S. managers on three types of instruments that measure differing aspects of work related matters, Riordan and Vandenberg find that bridging the collectivist frame of reference of Korean managers and the individualist frame of reference of U.S. managers is only achieved when the survey instrument explicitly establishes the organization as the center of the respondents psychological field. Further, they found that in questionnaires in which the frame of reference is indeterminate, respondents imputed different frames of reference in answering questions.

The extent to which construct underrepresentation and surplus construct irrelevancies confound cross-cultural research depends, in part, on whether the research is cross-national or comparative in scope. For example, although Riordan and Vandenberg found that the Organization-based Self-esteem Scale (Pierce, Gardner, Cummings, and Dunham 1989), and the Satisfaction with my Supervisor Scale (Vandenberg and Scarpello 1990) prompted different frames of reference from Korean and U.S. respondents, there may still be good reason to use these instruments in cross-national research. Of course, researchers who believe that instruments developed in one country may provide important insights into organizations

in another country must still confirm exactly what constructs are being measured. Though Adler, Campbell, and Laurent (1989) express obvious disappointment with their inability to compare the responses of Chinese managers directly to those of managers from other countries, they may still find the instrument useful in analyzing variation in the Peoples Republic of China. Moreover, subsequent work with this instrument may even justify its use in comparisons of managerial attitudes across Asian nations.

An additional problem that is common in domestic IR research but is particularly difficult in cross-national and comparative research is response bias. For example, in my own study of human resource practices in Poland, the response rate of state-owned firms was 84% (Weinstein 1994). Though I was initially delighted with this high response rate, my enthusiasm was somewhat tempered when subsequent field research indicated that some managers thought they were obligated to participate in interviews conducted by the state-owned survey company I had contracted to collect the data. The concern is that this perceived coercion may increase the probability of managers providing data they believe are consistent with expectations of the data collection firm. More common, however, are problems that can lower response rates, such as poorly translated or culturally inappropriate cover letters and suspicions about the intent of foreign research organizations.

Finally, no discussion of construct validity in cross-national and comparative research is complete without at least passing mention to the potential of both construct underrepresentation and surplus construct irrelevancies resulting from faulty translation. Everyone who has done cross-national or comparative research has their own favorite mistranslation, and unlike most other mistakes that occur in our work, mistranslations (especially when they are identified prior to the final administration of the instrument) at least can provide some often needed comic relief. Fortunately, the translation/reverse translation procedure described by Brislin (1980) allows researchers to catch the most egregious errors. Nonetheless, as with the case in survey construction in our native languages and cultures, careful reworking and piloting of questions is the only way to achieve the most accurate operationalization of constructs.

### *Statistical Conclusion Validity*

Statistical conclusion validity is generally concerned with issues that might confound our ability to draw conclusions about covariation (Cook and Campbell 1979). There are numerous factors that can undermine the statistical integrity of survey analyses, but of particular interest here are the

threats to statistical conclusion validity that are latent in domestic research but become salient in cross-national and comparative projects. Specifically, measurement reliability and the assumptions underlying specific statistical tests can pose special challenges in cross-national and comparative research.

Measurement reliability refers to the problem of having true value measures of operationalized constructs. The lack of stability in these measures effectively inflates standard errors that, in turn, confound statistical inference. Though measure reliability is an obvious concern in all research, there is a unique and difficult set of problems that arise in cross-national and comparative work. In these areas there is considerable anecdotal and formal evidence that culturally embedded norms systematically influence the use of Likert-type agreement scales. For instance, in some cultures a "five" on a five-point scale may indicate stronger agreement than in other cultures. Similarly, a "three" on the same scale might imply "no opinion" in some cultures, whereas in others it might represent "mild agreement." There is also the likelihood that between cultural/national groups there are respective differences in the central tendency of how groups calibrate the intervals anchoring measurement on a continuum (Riordan and Vandenberg 1994). This suggests that while systematic within-culture variation may be accurately measured, cross-cultural comparisons might be problematic, unless researchers go to great lengths to assess the true score equivalence of their instruments across cultural boundaries.

Nonetheless, even with regard to single country, cross-national studies, the use of instruments devised in one country to study variation within another country can surface issues about statistical conclusion validity. Again, the research experiences of Adler, Campbell, and Laurent (1989) provide important insights. They found that on 31 of the 56 questions administered (55%), Chinese managers provided answers with bimodal distributions (defined as at least 20% of respondents agreeing and at least 20% disagreeing with less than 13% neutral). Concerned with assuring the anonymity of respondents, Adler et al. did not collect demographic data and, therefore, are unable to ascertain whether divergent views among Chinese managers can be attributed to age, gender, education, or tenure with firm. Furthermore, factor analysis of data from North American and European managers revealed four factors; the same analysis of data provided by Chinese respondents revealed 20 factors, none of which explained more than 30% of the variance. This leaves open the possibility that the nonnormal distributions in the responses of Chinese managers resulted not from systematic variation among respondents but from the lack of correspondence between Western and Chinese conceptions of management.

## Heuristics for Cross-national and Comparative IR/HR Research

As in all research, there are no hard and fast rules in cross-national and comparative research as to how we should make specific trade-offs between rigor and research design. What I offer instead are three recommendations—*immersion*, *internationalization*, and *accommodation*—that are intended to preempt particular threats to validity without compromising the theoretical and empirical importance of the work we do.

The most important guideline is perhaps the most obvious and too often the most neglected. A crucial component of all good cross-national and comparative research is our *immersion* in the study of the markets, institutions, and the culture of the target countries that host the organizations of our studies. Ultimately, researchers are responsible for assessing the extent to which the research questions they address, the surveys they employ, and scales they use are appropriate given the target countries of their research. In this sense we would be advised to become national experts through cross-national research prior to making the forage into cross-national comparisons. The increased demand for management education in transition and developing economies will continue to provide ample opportunities for U.S. researchers to interact with practitioners in other countries, and I would hazard to guess that many such interactions generate some attempt to survey participants. Data collected during such opportunities seldom yield sensible comparative analysis and only too rarely do thoughtful methodological discussions (Adler, Campbell, and Laurent 1989) emerge from such “failed” experiments.

One means to ensure that cross-national and comparative research not only takes into account local conditions but also benefits from these conditions is to *internationalize* the research endeavor. Rather than confining ourselves to research questions that emerge from the U.S. experience, we should use our understanding of organizations in target countries to consider inductively the direction of our research. In the same way that relevant research questions can be formulated organically, we should try, where possible, to formulate the operationalizations of constructs organically. Often the best way to do this is through collaboration with local researchers. While the reverse translation methodology described by Brislin (1980) is appropriate for the use of existing instruments in comparative research, an ideal situation exists when a researcher with a good command of the target language works with native speakers of the target language through all development phases of the instrument.

With detailed knowledge of the target nations of cross-national and comparative studies, researchers can make more informed decisions about the inevitable *accommodations* that need to be made in the research design

of studies. Whereas most textbooks will typically call for standard treatments across control and experimental groups, the realities of infrastructure support may make it self-evident that where telephone surveys might be the best approach to interview individuals in one country, face-to-face interviews may be the only alternative in a second country. Another accommodation might be to control for the national origins of respondents where this does not compromise the research design of the study. For instance, when collecting data from foreign-owned and domestic firms in Poland, I requested that all respondents be native to Poland. Though this carried the risk that the person most knowledgeable about human resource practices in the organization might not always be the person providing data, my experience indicated that the different frames of reference of Polish and expatriate managers posed a greater threat to construct validity than random errors from less knowledgeable respondents.

While supplemental threats to construct and statistical conclusion validity in cross-national and comparative research should increase our sensitivity to methodological issues, it should not make us wary of such research. The potential insights from cross-national research far outweigh the liabilities of such work. Nonetheless, the added value of cross-national and comparative research depends, in large part, on our special attention to the methodological challenges that this work poses.

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## DISCUSSION

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The panelists reviewed issues that require the attention of researchers who hope to collect reliable and valid data from samples of organizations. An issue not treated by the panelists, however, was systematic pre-survey question evaluation.

Current survey practice goes well beyond the traditional field pretest. The typical pretest has consisted of senior interviewers conducting interviews with a nearly final version of a survey instrument, then reporting back to investigators about problems they identified, such as typographical errors and unclear instructions. They may also identify questions that are difficult to ask or hard for respondents to understand or answer. However, interviewers almost certainly do not use consistent criteria to decide which questions are problems; it is impossible to quantify the extent of any problem, and problems of respondent comprehension are not always apparent under field interviewing conditions. The pretest places far too much responsibility on the interviewers to serve as question evaluators.

At least five additional methods have emerged to meet the need for thorough, systematic evaluation of survey questions, while reducing our reliance on interviewers to gather information about question problems. These methods are used to discern problems before the questions are given to interviewers to administer in a standard field setting. They may also be adapted to the development of self-administered questionnaires.

*Focus groups* are controlled discussions among five to nine participants, usually lasting about 1.5 hours. A moderator, usually a researcher or senior interviewer with training in cognitive skills, poses questions or topics for discussion. The moderator ensures that everyone is involved and keeps the discussion from veering into side issues. The participants are selected either at random or because they have experience or knowledge of the survey topics. Focus groups have long been used in survey research primarily to explore how people think about the subject matter to be covered in a survey. But focus groups also provide an opportunity to talk to potential

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respondents about what different terms or words mean to them and about the events or activities that will be measured in a survey. This new use of focus groups is a first step toward designing clear, unambiguous questions or discovering potential problems with off-the-shelf questions. In establishment surveys they provide an opportunity to learn about the completeness and accessibility of records and to identify knowledgeable respondents.

*Cognitive or laboratory interviews* are intensive interviews with a single respondent. The interviewer may be a cognitive psychologist or a person with training in cognitive skills. The respondent is asked to "think aloud" while formulating an answer to each survey question and then is asked follow-up questions to probe further how the respondent understood the question and developed an answer. Problems with comprehension or difficulty in formulating a response are quickly revealed, and the interviewer may be allowed to experiment with different question wordings to see if these may be reduced.

*Standardized question-rating forms* are completed by each interviewer after completing traditional field pretest interviews but before a debriefing session. The interviewer systematically records whether they thought a question was difficult to read or hard for a respondent to answer, and the researcher receives written documentation about interviewer judgments.

*Behavior coding* of tape-recorded field pretest interviews is a process in which trained coders listen to the recorded interviewer-respondent interaction for each question: Do the interviewers read the question as worded? Do the interviewers need to probe to get an answer? Does the respondent ask for clarification? Does the respondent interrupt the reading of the question? Although these are the types of problems interviewers try to observe, the behavior coding process allows for a systematic evaluation of the extent to which these events occur.

*Respondent debriefing questions* asked at the end of an interview gather more information about a response given during the interview. Debriefing questions probe for more specific detail than the original question required or ask for elaboration of the answer. The answers inform researchers whether they are obtaining the type of responses they expected.

The five procedures together add structure and scientific process to the question evaluation task. Their implementation adds little to the costs of a large-scale survey project while the benefits derived are huge and essential.

## VII. REVITALIZING THE LAW OF WORK

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### From Servants to Workers: A Modern Law of Work in the United States

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The current debate on labor law reform has, to date, narrowly focused on specific processes, interpretations, and provisions of the NLRA (National Labor Relations Act 1988). Should Section 8(a)(2), the prohibition on employer domination of or assistance to labor organizations, be modified or repealed? Should election procedures be changed to allow for card check certification of bargaining units? Should Section 8(d) be amended to require bargaining on a broad range of subjects and to eliminate the distinction between mandatory and permissive issues (U.S. Department of Labor 1995)?

These questions and others raised by almost 60 years of experience under the NLRA are critical, and debate must and will continue. While this debate is necessary, however, it is not sufficient to effect fundamental change in the U.S. system of labor-management relations. A sea change in the U.S. economy, the employment relationship, and patterns of organization of the firm requires a broad review of the law affecting work generally, rather than a narrow effort at reform of labor-management relations law alone. We believe a modern law of work lies just beneath the surface of the debate on labor law reform and beneath the wrangling over who is an "employee."

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The Wagner Act (1935)<sup>1</sup> provided a framework for industrial relations in an American economy driven by mass production. The Act's central purpose and triumph were to provide a system of dispute settlement in which concentrated corporate interests could be brought to collective bargaining by workers organized in "appropriate" bargaining units, often described by miles of conveyors and rows of machinery on shopfloors throughout America. Workers were to be free to choose or not to choose representatives in government-conducted elections. NLRB agents fanned out across factories during work days and collected ballots in mass numbers in stable workplaces owned by well-established corporate interests, many of which had been founded decades earlier to supply a world market (Brody 1993).

Today in important sectors of the American economy, the stable corporation is losing ground to short-term joint ventures, multinational enterprises, and the "virtual corporation." Not only is the notion of the firm changing, so is the nature of work, from employment to the looser ties of homework, labor brokering, and tentative employment stripped of security and private systems of social insurance. In a number of sectors and occupations the employment contract has shifted to contingency, to independent contractualism, and to the ebb and flow of a part-time work force (Mishel and Bernstein 1991:203-34).

This panel examines a series of related problems in labor law reform that center around the change in the nature of the American enterprise; namely, the erosion of the stable firm and the long-term, full-time employment relationship. How do we facilitate worker representation in an economy in which work is unstable and the marketplace increasingly resembles a bazaar? These changes raise issues related to the individual contract of employment, to antitrust and common law restraints on collective action against itinerant contractors, homework, and the mass of low-wage workers who are connected only by the communities, the geographic regions, or the occupations in which they work. To examine what type of law reform in the broadest sense is necessary to deal with changed circumstances, the nature of our inquiry is broad, reflective of an "... industrial relations framework encompass[ing] the diverse participants, their complex labor and product-market interactions, and the tangle of legal and regulatory problems involved" (Dunlop 1992:35-36).

A framework that encompasses this diversity and complexity requires us to break open the currently limited paradigm of labor law and to reconceptualize the issues under the rubric of the law of work. What do we mean by the law of work? Larger than labor law or employment law, it deals with work in a manner in which work is and will be organized and conducted in today's world and the work world of the future. The Wagner

Act itself embodies conception of employment in the broadest terms, and judicial interpretations contemporary with its enactment appreciated the comprehensive intent of the legislature. Over time the constriction of the Act's purposes through a misreading of the term of "employee" has dominated the development of labor law and has made it irrelevant, at best, and often dysfunctional and pernicious. This constrained view of work as solely enterprise- or facility-based, combined with continuing changes in work, can easily lead to a point where entrepreneurs can structure entire sets of employment relationships so that no legal protections attach (Fierman 1994:30-38).

The scope of work and the legitimate interests in that work are, in reality, significantly broader than the constrained view much of American labor and employment law now takes of "employment" and broader than many recent interpretations of federal labor law indicate. There should be no doubt among students of labor law in the United States that in the absence of express Congressional intent, the courts will quickly revert to the law of master and servant in describing the employment relationship. See Atleson (1983); *Nationwide Mutual Ins. Co. v. Darden*.<sup>2</sup> There should also be no doubt that the importation of concepts of "master" and "servant" is a matter of substance rather than quaint judicial style. For example, it means that an employee has duties based upon status rather than agreement or consent, which will require, in the jurisdiction of the U.S. Court of Appeals for the Eighth (*NLRB v. Town & Country Electric, Inc.*),<sup>3</sup> Fourth (*Zachary v. NLRB*),<sup>4</sup> and Sixth (*NLRB v. Elias Big Boy, Inc.*)<sup>5</sup> Circuits, that an employee is an agent of the employer and must act solely for the employer's benefit to the exclusion of the employee's union. In other words, because common law agency rules that a person may be in the service of "two masters at one time only if service to one does not involve abandonment of or conflict with service to the other" (*Town & Country Electric*),<sup>6</sup> it follows for the Eighth Circuit that an employee who also receives payment from the union for organizing activities may be fired for split loyalty.

The tendency of the courts to revert to master and servant doctrine (well documented by Atleson) is plainly no mere lapse in between Congressional enactments to the contrary. It is rather a distinct feature of Anglo-American common law which has led labor movements in both England and the United States first to attempt to strip the courts of jurisdiction entirely and, later in the United States, to attempt to preempt the body of state and federal common law through a comprehensive administrative system. In 1932 the Norris-LaGuardia Act<sup>7</sup> at Section 13, subsection (c), defined the term "labor dispute as" including "any controversy concerning

terms or conditions of employment . . . regardless of whether or not the disputants stand in the proximate relations employer and employee." When *Norris-LaGuardia* was fresh before the Supreme Court, the Court applied the Act's limitations to federal courts' jurisdiction to protect peaceful communications and a boycott by the New Negro Alliance in a racial dispute relating to employment practices of a grocery company. The Court held that in enacting *Norris-LaGuardia*, Congress intended to protect and "embrace controversies other than those between employers and employees, between labor unions seeking to represent employees and employers, and between persons seeking employment and employers" (*New Negro Alliance v. Sanitary Grocery*, pp. 594-95).<sup>8</sup>

Not long after the enactment of the Wagner Act, the Supreme Court had occasion to determine whether the protection against discrimination for union affiliation extended to workers not yet in the employ of an employer. The Court held that Congress intended the broadest scope to the definition of "employee." Justice Frankfurter, one of the drafters of the Railway Labor Act (1926)<sup>9</sup> which preceded the Wagner Act (1935), delivered the opinion of the Court and reasoned:

The policy which it expressed defining "employee" both affirmatively and negatively, as it did in Sec. 2(3), had behind it important practical and judicial experience. "The term employee," the section reads, "shall include any employee, and shall not be limited to the employees of a particular employer unless the Act explicitly states otherwise. . . ." This was not fortuitous phrasing. It had reference to the controversies engendered by constructions placed upon the Clayton Act and kindred state legislation in relation to the functions of workers' organizations and the desire not to repeat those controversies (cf. *New Negro Alliance v. Grocery Co.*)<sup>10</sup> The broad definition of "employee," unless the Act explicitly states otherwise, as well as the definition of "labor dispute" in Sec. 2(9), expressed the conviction of Congress "that disputes may arise regardless of whether the disputants stand in the proximate relations of employer and employee and that self-organization of employees may extend beyond a single plant or employer."<sup>11,12</sup>

What is remarkable in reported cases like *Phelps Dodge* is the way in which the term "employee" and "worker" and "workman" are used interchangeably. Yet the Court and the Congress wrestle endlessly with the unintended linguistic limitation imposed by "employee." For, to some, employment implies a current relationship between an employee and an employer. "Worker" does not carry that implication, since work can be performed

outside a current employment relationship; more particularly, in our language and in our culture, work and workers can carry on their tasks free of older master and servant contexts. A worker may perform tasks for an owner of goods or capital outside the mass employment contexts that prevailed in the 1930s. Yet it is clear that Congress in 1935 had in mind something far broader, as we have seen, than an employee in a current work relationship with a particular employer. Most definitely, Congress had in mind a class of workers for hire that moved from workplace to workplace, yet who were to be protected in their broad organizational activities. The scope of the protection was not to be limited to a single enterprise but was to be carried with the worker at least sectorally.

The NLRB, in its pending petition for certiorari from the decision of the Eighth Circuit in *NLRB v. Town and Country Electric, Inc.*,<sup>13</sup> explores the intention of Congress in enacting Section 2(3):

The history of that provision indicates that Congress used the term "employee" to embrace generally the class of "workers," "wage earners," and "workmen" who comprise the work forces of "employers."<sup>14</sup>

The Act's definition of "employee," at Section 2(3) 29 U.S. Code Section 152 (3), is, and was intended to be, comprehensive. The U.S. Supreme Court has stated that "the breadth of Section 2(3)'s definition is striking: the Act squarely applies to any employee, and the only limitations are specific exemptions" in the Act. (*Sure-Tan, Inc. v. NLRB*, p. 891).<sup>15</sup>

The Supreme Court, fairly early, faced the question whether common law standards of construction would be used to determine who was an employee. In *NLRB v. Hearst Publications, Inc.*,<sup>16</sup> the Court considered whether newsboys were employees or independent contractors. The Court, finding the newspaper sellers (who not incidentally were mature men, selling from fixed locations) were employees, refrained from applying common law definitions advanced by the respondents. The Court reasoned:

Unless the common-law tests are to be imported and made exclusively controlling, without regard to the statute's purposes, it cannot be irrelevant that the particular workers in these cases are subject, as a matter of economic fact, to the evils the statute was designed to eradicate and that the remedies it affords are appropriate for preventing them or curing their harmful effects in the special situation.<sup>17</sup>

In 1947 Congress amended Section 2(3) to exclude independent contractors and expressly rejected the Supreme Court's decision in *Hearst*.<sup>18</sup>



Today, the Supreme Court adheres to common law principles to construe the term "employee" unless the legislature "clearly indicates otherwise."<sup>19</sup> (*Nationwide Mutual Insurance Co. v. Darden*, p.1349, 1992). In the light of the Supreme Court's construction of Section 2(3) of the Act, it is essential to determine the range apart from specific exemptions of Congress's express definition of employee. Otherwise, we are left to the common law.

The breadth of Section 2(3)'s definition, as the Court commented in *Sure-Tan*, is "striking." The first few lines are definite in their inclusiveness: "The term 'employee' shall include any employee, *and shall not be limited to the employees of a particular employer*" (emphasis added). It is the second italicized phrase, "and shall not be limited to the employees of a particular employer," that has particular resonance today as the economy shifts back to smaller profit centers; fractioned bargaining units; temporary, part-time, and contingent work. Although industrial organization quickly dominated public attention in the years following the Wagner Act, the dominant form of organization for many decades before its enactment was occupational, and at the time the legislation was under debate, Congress observed a mix of occupational and industrial unionism. Congress expressly chose not to make employment with a particular employer the crucial jurisdictional fact. In Senate Report No. 573 on S 1958, (the immediate precursor of the bill enacted as the Wagner Act), the Senate explained:

The term "employee" is not limited to the employees of a particular employer. Their reasons for this are as follows: Under modern conditions employees at times organize along craft or industrial lines and from labor organizations that extend beyond the limits of a single-employer unit. These organizations at times make agreements or bargain collectively with employers, or with an association of employers. Through such business dealing, employees are at times brought into an economic relationship with employers who are not their employers. In the course of this relationship, controversies involving unfair labor practices may arise. If this bill did not permit the Government to exercise complete jurisdiction over such controversies (arising from unfair labor practices), the government would be rendered partially powerless and could not act to promote peace in those very widespread controversies where the establishment of peace is most essential to the public welfare (NLRB 1948:2305).

In explaining the companion bill, HR 7978, the House, in Report No. 969, makes similar comment on Section 2, subsection 3, in which the Committee states it wishes "to emphasize the need for the recognition . . . that

disputes may arise regardless of whether the disputants stand in the proximate relation of employer and employee, and that self organization of employees may extend beyond a single plant or employer. This is so plain as to require no great elaboration." The Committee cites approvingly from Chief Justice Taft's opinion in *American Steel Foundries v. Tri-City Central Trades Council*:<sup>20</sup> "To render this combination at all effective, employees must make their combination extend beyond one shop." The Committee reasoned that:

This statement is a sufficient answer to those who, with questionable disinterestedness, proclaim that rugged individualism is the great boon of the American workman; or that there is something "unAmerican" in a movement by workers to pool their economic strength in a type of labor organization most effective in approximating the economic power of their employers, namely, in so-called "outside unions," thereby establishing that "equality of position between the parties in which liberty of contract begins." While the bill does not require organization along such lines and indeed makes no distinction between such organizations and others limited by the free choice of the workers to the boundaries of a particular plant or employer, it is imperative that employees be permitted so to organize, and unfair labor practices taking in workers and labor organizations beyond the scope of a single plant be regarded as within the purview of the bill (NLRB 1949:2918).

The language in Section 2(3) remains pristine. Its broad purpose continues to be striking notwithstanding exemptions, which the Court explains are to be restricted to their express terms. It is this language and this clear purpose that must be broadly applied in a revisioning of protections to be afforded workers when they enter property open to other employees for an organizing purpose; or when they seek work for the express purpose of organizing the employees in the industry in which they work; or when they seek to carry their lawful employment disputes to coemployers, alter egos, successors. In few words, they remain employees when so engaged, fully protected by the Act, whether or not they are employed by the particular employer that coerces or discriminates against them.

For purposes of discussion, imagine the world of labor and employment law in the United States had Congress, in the Norris LaGuardia Act of 1932 and the Wagner Act of 1935, taken a different course. Protections for associational and collective bargaining activity would extend only to the limits of the employer's enterprise or, more narrowly, to the place of employment. Applicants for employment and strikers would surely be excluded, but so would those workers who were generally employed in an industry and who,

though without current employment, were activists and organizers. Unions and organizers would be strangers, “trespassers.” Indeed, the form of labor relations, if it tracked this constrained legal system, would be enterprise-based—more Japanese than American, more legalistic than organic. The system could not accommodate itinerant and so-called contingent workers, nor would it have room for the part-time work force of the expanding category of “leased” employees provided by private employment services or agencies. Nurses and academics who exercised discipline over their occupation or who provided leadership to other workers would be excluded from the industrial relations system. It would be a rigid system based upon current jobs and conditions of status, with particular employers as masters rather than a dynamic system based on work.

Unfortunately, this never-never land, expressly rejected by the Congress, is precisely the one we have inherited from the activities of the courts in nullifying the “striking” breadth of the Congressional enactment (*Lechmere v. NLRB*).<sup>21</sup> It is for that reason that the law of labor and employment should be reframed in terms of “work and workers,” rather than employees, and owners, rather than employers. There is no question that Congress’s use of the term “employee” was unfortunate. Justice Frankfurter’s comment that the Congress had more in mind (the mischief of the Clayton Act [1914] and similar state enactments) is of little solace today in the face of decisions like *Town and Country* that resurrect *all* the law of master and servant. Yet given the clarity of Congressional intent, a series of powerfully reasoned NLRB decisions that reworked the law of work could begin the process of revisioning labor law in America. That ideal, to us, would not be one of “constituting” employee committees to replace the unions which necessarily extend worker interest beyond the enterprise. Rather, to allow the flexibility sought by many workers and entrepreneurs alike in a dynamic economy, it would comprehensively preempt the law of master and servant, a direction similar to that taken by state courts over the last two decades as they moved to abrogate the employment-at-will rule. Such decisions, in harmony with a broadly conceived framework of the law of work—and well within the intent of Norris-LaGuardia and the NLRA—would permit the free growth and legitimate activity of worker associations in keeping with a society that values and protects the creative organization and conduct of human enterprise.

## Endnotes

<sup>1</sup> *Wagner Act*, 49 Stat. 449, 29 U.S.C. 151 (1935).

<sup>2</sup> *Nationwide Mutual Insurance Co. v. Darden*, 112 S. Ct 1344 (U.S. Supreme Court, 1992).

<sup>3</sup> *Town and Country Electric v. NLRB*, 1147 LRRM 2133 (U.S. Court of Appeals, Eighth Circuit, 1994).

<sup>4</sup> *Zachary v. NLRB*, 886 F. 2d 70 (U.S. Court of Appeals, Fourth Circuit, 1989).

<sup>5</sup> *NLRB v. Elias Big Boy, Inc.*, 327 F. 2d 421 (U.S. Court of Appeals, Sixth Circuit, 1964).

<sup>6</sup> *Town and Country Electric v. NLRB*, 1147 LRRM 2133 (U.S. Court of Appeals, Eighth Circuit, 1994).

<sup>7</sup> *Norris LaGuardia Act*, 47 Stat 70 (1932), 29 U.S. C. Sec. 101-115 (1988).

<sup>8</sup> *New Negro Alliance v. Grocery Co.*, 303 U.S. 552 (U.S. Supreme Court, 1938).

<sup>9</sup> *Railway Labor Act*, 44 Stat 577 (1926), 45 U.S.C. Sec. 151-163 (1988).

<sup>10</sup> *New Negro Alliance v. Grocery Co.*, 303 U.S. 552 (U.S. Supreme Court, 1938).

<sup>11</sup> H.R. Rep. No. 1147, 74th Cong. 1st Sess., p. 9; see also S. Rep. No. 573, 74th cong., 1st Sess., pp. 6,7.

<sup>12</sup> *Phelps Dodge Corp. v. NLRB*, 313 U.S. 177, 8 LRRM 439, 445 (1941).

<sup>13</sup> *NLRB v. Town and Country Electric, Inc.*

<sup>14</sup> See, e.g. 79 Cong. Rec. 9686 (1935) (Rep. Connery) (referring to "every man on a pay roll"), reprinted in *Legislative History of the National Labor Relations Act of 1935*, Vol. II at 3119 (1949); *National Labor Relations Board: Hearings on S. 1958 Before the Senate Comm. on Educ. and Labor*, 74th Cong., 1st Sess. 42 (1935) (Sen. Wagner) (referring to "the workers"), reprinted in *NLRA Leg. Hist.*, Vol. I at 1418.

<sup>15</sup> *Sure-Tan, Inc. v. NLRB*, 467 U.S. 883 (U.S. Supreme Court, 1984).

<sup>16</sup> *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111 (1944).

<sup>17</sup> *Id.*

<sup>18</sup> *Leg. History of the Labor Management Relations Act, 1947*, Vol. I, p. 309 House Report No. 245 on HR 3020.

<sup>19</sup> *Nationwide Mutual Insurance v. Darden*, p. 1349.

<sup>20</sup> *American Steel Foundries v. Tri-City Central Trades Council*, 257 U.S. 184 (1921).

<sup>21</sup> *Lechmere, Inc. v. NLRB*, 502 U.S. 527 (1992).

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# Confronting Judicial Values: Rewriting the Law of Work in a Common Law System

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The need to reform the federal law of labor relations has been a staple of discussion for many years, but the current debate on the wisdom and possible types of change is more thorough and sustained than at any time in recent memory. A good deal of discussion has centered on the types of substantive or procedural changes that would make the promises of the National Labor Relations Act more of a reality. Thus many valuable proposals have been presented, for instance, concerning streamlining the representation process and strengthening the power of the Board to remedy violations of the statute.

My task today is to discuss whether, assuming labor law reform supportive to workers and unions does occur, drafters can avoid the judicial assertion of a quite different set of values. Those who propose changes assume, as they must, that the values or goals of such enactments will not be subverted by a hostile or indifferent judiciary or National Labor Relations Board. These suggestions also make certain assumptions about the effectiveness of law in effectuating change and, more commonly, in strengthening and invigorating unions. Yet in this area where feelings are strong and deep-seated, all issues are contentious. After all, the labor area is unique in that it is the only important human relationship where (especially for individual workers) concepts of fairness and equity are not deemed inherent. Moreover, the labor law field is littered with judicial decisions that seem inconsistent with the language and purposes of the National Labor Relations Act.

The issue is more complex than inherent bias, for there are real differences of opinion affecting every conceivable question in the field. Apart from bias or differences of value, we bring different assumptions to each issue. As I tell my students, each decision maker looks at the situation

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through the lens of experience, one which refracts light in different ways. To seek to avoid decisions that are based upon values which are inconsistent with specific legislation requires, in addition to good lawyering, a recognition of the importance of economic power as well as the power of ideas. The former means that both the likelihood of legal reform as well as the future responsiveness of the courts will be strongly affected by the amount of union power. The latter, relating to our conception of the employment relationship, suggests the need to reconceptualize the way we view that relationship.

A focus on judicial values means I can avoid discussing two serious issues. First, there must be considerable doubt whether supportive legal change of any kind can occur in the present political climate, especially in the absence of strong or at least troublesome unions (Atleson 1989-90). Changes in the law of union-employer relations have occurred only rarely, generally because of special circumstances. Moreover, except for perhaps the Norris-LaGuardia Act, passed during the Hoover administration, the Wagner Act of 1935 remains the sole U.S. example in the 20th century of an exclusively union-supportive, federal legislative enactment. The passage of the statute turned on unique historical circumstances, and surely the most significant cause was the degree of turbulence in labor-management relations.

A second question involves the type of changes we might expect if amendments to the NLRA did occur. If all or even most of the suggested proposals were indeed enacted, the U.S. might have the labor law of Ontario. Many American scholars look longingly at the legal systems of certain Canadian provinces, believing that legal rules are the primary cause and explanation of union strength. The reverse possibility is rarely considered—that is, that legal rules are the *result* and not merely the cause of strong unions (Atleson 1994). The problematic relationship of legal rules to satisfactory social outcomes is too little discussed. In any event, although union density in Canada has historically been considerably higher than that of the United States, density in Canada is falling, suggesting the importance of factors other than substantive law (Kumar 1993).

As a lawyer, however, I have been trained to believe that law can be an engine for change. The writings of Janice Bellace and Roy Adams, among others, convince me that state policy has real effects (Adams 1994; Bellace 1994a, 1994b). Certainly legal rules affect the outcome of particular disputes, and law can affect the way in which employees and employers envision possibilities and restraints (Forbath 1991; Hattam 1993; Tomlins 1985). But if labor law reform of some kind does occur, how can drafters guarantee that its supportive goals will not be derailed or finessed by a

quite different set of cultural values that often (although not always) has motivated the judiciary?

Many scholars have recognized that certain labor law decisions do not seem to be consistent with the principles of statutory interpretation; that is, some rulings are seemingly not based upon the statutory language, the legislative history, or the statute's professed goals. In *Values and Assumptions in American Labor Law* I noted that the seeming incoherence of a good deal of American labor law can be explained by a quite coherent set of judicially held values which resonated from or paralleled those expressed in 19th century opinions (Atleson 1983). Those values tended to deal with the presumed limited status of employees and the prerogatives of owners, but the list could easily be expanded to include a more abstract set of beliefs. Thus some decisions seem to reflect the view that collective representation and action is inconsistent with individualism; that collective bargaining conflicts with the value of individual effort, initiative, and evaluation; and that the proper focus should be the individual employee-employer relationship, meaning that the union is an "outsider" to the relationship. Last but not least, the fear of class solidarity and conflict might explain the early injunctions against picketing as well as the traditional opposition to the secondary boycott and, especially, the sympathetic boycott.

Lawyers might say that the primary means of restraining the judiciary is careful draftsmanship. Perhaps the best example of effective drafting is the Norris-LaGuardia Act, which has generally been conscientiously followed by the lower courts, despite its purpose to restrict the most significant judicial power, the power to enjoin behavior. Even here, however, judicial respect for legislative intent might be due to causes independent of Felix Frankfurter's careful drafting. In any event, this statute has been finessed when it conflicted with values the Supreme Court believed more important. For instance, a strike arguably in breach of a contractual no-strike clause is clearly a "labor dispute" within section 14 of the Norris-LaGuardia Act. Yet the Supreme Court in its 1970 *Boys Markets*<sup>1</sup> decision was able to approve injunctions against such strikes under NLRA section 301 by "accommodating" that statute to the developing law of collective agreements, a body of rules ironically created by the Court itself without significant legislative guidance (Atleson 1985).

The problem with the NLRA is not that it was carelessly drafted, although it certainly is an open-textured statute permitting and often requiring a common law type of interpretation. In addition, drafters cannot foresee many of the problems that would arise. The problem is not simply one of unclear legislative guidance but that many cases tend to present conflicts of values. The judicial application of values quite different than



those which motivated the drafters long precedes the Reagan administration. The disillusionment with the administration of the statute in the 1980s led some unions to call for the repeal of the statute, but the return to the "glorious days of yesteryear" would hardly seem to be helpful, at least without a labor movement that relied less upon law than on organization and collective action.

Moreover, conflicts occur within the various levels of the federal judiciary. There are, for instance, examples of long-term guerrilla warfare by appellate courts, even in the face of clear Supreme Court directives. The phrase "guerrilla warfare" comes directly from a dissent of Judge Gibbons in *NLRB v. K & K Gourmet Meats*<sup>2</sup> explaining that the Fourth Circuit's refusal to approve Board orders directing employers to bargain under the Supreme Court's *Gissel*<sup>3</sup> decision was based on a disagreement with that decision. My students are aware, for another example, that appellate courts routinely review the records of NLRB cases, often differing with the Board on questions of fact as well as law, despite the Supreme Court's clear admonition to the lower courts in the *Universal Camera*<sup>4</sup> decision to respect the findings of the Board, a case that ironically involved the Board.

Another obvious suggestion might be to make the stated purposes and goals of the new amendments so clear that even lawyers would have difficulty finding them porous or ambiguous. This possibility, however, overlooks the creativity of lawyers and the historical level of judicial resistance to certain values. In any event, the stated values of the Wagner Act were relatively clear. In addition to the goal of reducing industrial conflict, often treated as the exclusive purpose, those policies included the encouragement of collective representation and, admittedly vaguely, the values of worker participation and industrial democracy. Yet two good examples of judicial creativity come quickly to mind. First, when organized professional workers at the College of Osteopathic Medicine and Surgery<sup>5</sup>—*via collective bargaining*—gained significant participation rights in their workplace, the Board treated them as "managerial employees," no longer covered "employees" within the NLRA. The professionals had seriously used collective bargaining to gain a measure of participation in their workplace, securing a measure of "industrial democracy," but their very success removed them from the coverage of the statute.

This outcome, based upon fairly recent Supreme Court decisions, also reflects the importance of the courts' perception of union power. In the 1944 *Hearst*<sup>6</sup> decision, for example, the Supreme Court upheld a broad definition of statutory "employee" so as to include within the Act all those who needed its protection, no matter whether they would be treated as "employees" or "independent contractors" under traditional common law

rules. The Court stressed that the act should be read broadly so that it could "bring industrial peace by substituting . . . the rights of workers to self organization and collective bargaining for the industrial strife which prevails where these rights are not effectively established." The stress on "industrial peace" clearly reflected the Court's understanding that the NLRA, passed in the midst of a turbulent labor period, could not fulfill its goals without a liberal, inclusive interpretation. Such a message was especially clear during wartime when the need to institutionalize labor relations within an administrative system seemed eminently reasonable.

Recently, however, in *Bell Aerospace, Division of Textron*<sup>7</sup> and *Yeshiva University*,<sup>8</sup> the Court, without any supportive legislative history or statutory language, excluded from the act perhaps hundreds of thousands of employees deemed to be "managerial," workers who are in a position to "formulate and effectuate managerial policies." There is no mention in these opinions of a need to contain "industrial strife" or to institutionalize labor conflict within the beneficial embrace of the statute. It is, of course, possible that the Court does not believe that workers who can be deemed "managerial" are likely to be disruptive. It seems more likely, though, that the Court no longer sees a need to read the act broadly because it no longer fears the "industrial strife which prevails where these rights are not effectively established."

A second and related example deals with the scope of mandatory bargaining. The Court has historically stressed the statutory policy favoring the reduction of "industrial strife" as if it was the only purpose of the act. Nevertheless, the concern was used at times to justify a fairly liberal interpretation of the NLRA. In 1979, for instance, the Court upheld a NLRB ruling holding that the prices of Ford Motor Company's in-plant food service was a subject of mandatory bargaining.<sup>9</sup> The employees had boycotted the food service, and the Court referred to that mild action as an example of the kind of "labor strife" that might occur if the scope of bargaining was not interpreted in an expansive fashion. Yet only two years later in *First National Maintenance*,<sup>10</sup> the Court held that a partial closing of the enterprise, obviously much more critical to workers than cafeteria food prices, was not within the scope of mandatory bargaining.

These decisions indicate that the Court no longer feels a need to read the act broadly so as to institutionalize labor conflict or even to protect worker concerns which seem encompassed within the statute. Thus it is reasonable to assume that the likely responses of the courts will be related to the perception of weakened union power. Courts, as well as Congress, are affected by what is happening in bargaining rooms, the workplace, and in the streets. Current decisions not only embody certain values that resonate

throughout American legal history, but the state of the law also reflects the perceived relative strength of unions just as much as the hostility or indifference of any presidential administration. In a period of reduced labor conflict and weakened unions, what will induce courts (or Congress) to more effectively protect workers?

Aside from draftsmanship, another possibility is to change the makeup of the courts, but the likelihood of this occurring seems too remote. As the 1980s made clear, it is difficult enough to assure a responsive National Labor Relations Board. Ultimately, the problem is not the courts alone. It is true that legislatures, state and federal, often reflected a more supportive view of workers and unions, only to be thwarted by judicial obstruction based upon particular views of the Constitution or upon statutory interpretation. It may also be true, however, that many legislative efforts may have been over advertised as significant or even radical change. State legislative attempts to restrict conspiracy convictions or to limit the courts' injunctive power in the 19th century, for instance, or even the Clayton Antitrust Act in this century may have been oversold to pacify constituents (Lovell 1994). As the current state of many areas of law suggests, however, vigorous enforcement needs the eternal vigilance and constant prodding of a strong pressure group.

The current emphasis upon "competitiveness," found sprinkled throughout the Dunlop Commission's fact-finding report, ignores a commitment to democratic values in the workplace. Those principles still involve the securing of industrial democracy, full freedom of association, actual freedom of contract, and citizenship rights in the place where people spend the lion's share of their lives. Comparativists regularly view the U.S. as an exception to the notion commonly found in other Western nations that workers are an organic and important part of the enterprise (Summers 1984). The goal must be to reassert the idea that industrial democracy is a vital part of the rights of individuals. As Robert Wagner stressed, the firmness of the commitment to political democracy depends in large part on the democratic quality of workplace life. Wagner's fears were expressed at a time when hope was being extinguished in Europe and he perceived real threats to democracy at home, a period not comparable to our own. Yet at a time when Americans express great skepticism concerning the viability of existing political institutions to act in responsive ways, we should remember Wagner's concerns

It might be time to change not only the rules we apply but also the ideas we express, to alter the way we think about the role of workers in the enterprise (Klare 1988). If we do not, we will still be faced with the rights of workers, perceived to have limited abilities and, thus, limited rights to

involvement in the workplace, challenging what is thought to be the greater wisdom and the "property" rights of employers. The goal should be to develop a vocabulary that treats workers as a valuable, organic part of the enterprise, as long-term participants with a valuable investment and citizenship stake in the operation.

It is with considerable trepidation that I suggest a return to something similar to the 19th century's labor theory of value, a once widely held view neatly rejected by the notion, formally stated in the 1880s, that the worker had no property rights in his or her labor. Instead, the worker was "at will," free to leave and to be discharged at any time for any reason. Occasionally, echoes of this concept can be heard in particular labor disputes. Some years ago the Screen Actors Guild suggested, during a dispute over whether actors should be compensated when films were sold to cable companies, that their labor made films valuable. Even baseball players, trying to secure public support despite their salaries, have argued that they create the wealth in the game, although the expression is often followed by a romanticization of the free market. The only place where this value is still seriously recognized is in the realm of artistic creation where, now supported by the recent Visual Artists' Rights Act, the artist-creator has the right to control the product of his or her labor, even after its sale.

In an atmosphere where "free enterprise" notions, reminiscent of the 19th century meaning of the phrase, affect everything from international trade to the neighborhood school, such thoughts, even from a professor, might seem overly fanciful. Yet the very currency of these views suggest that ideas can change and that ideas have power. The "market," after all, which is used to define the scope of employer freedom, is a legal, social, and political entity, defined by law itself. Moreover, the recent period where it was suggested that taxes can be reduced while military investment can be dramatically increased and where tomato catsup could be called a vegetable, suggest that the way we think about the world of work could also change.

One of the hallmark changes of the 20th century was the notion, now under attack and often simply ignored, that the costs of enterprise consist not only of the price of labor and materials but also the social, environmental, and economic effects of that enterprise. One of the costs of our current system is that democratic representation at the workplace has become highly problematic 60 years after the passage of the Wagner Act. The value at stake is that of industrial citizenship, as important now as it was in Robert Wagner's time. The value of participation and protection in the workplace should be seen as a human right, not just as a means to greater productivity or reduced conflict.

## Endnotes

- <sup>1</sup> *Boys Markets, Inc. v. Retail Clerks Union, Local 770*, 398 U.S. 235 (1970).
- <sup>2</sup> *NLRB v. K & K Gourmet Meats, Inc.*, 640 F.2d 460 (1981).
- <sup>3</sup> *NLRB v. Gissel Packing Co., Inc.*, 395 U.S. 575 (1969).
- <sup>4</sup> *Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951).
- <sup>5</sup> *College of Osteopathic Medicine and Surgery*, 265 NLRB 295 (1982).
- <sup>6</sup> *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111 (1944).
- <sup>7</sup> *NLRB v. Bell Aerospace Co., Division of Textron, Inc.*, 416 U.S. 267 (1974).
- <sup>8</sup> *NLRB v. Yeshiva University*, 444 U.S. 672 (1980).
- <sup>9</sup> *Ford Motor Co. v. NLRB*, 441 U.S. 488 (1979).
- <sup>10</sup> *First National Maintenance Corp. v. NLRB*, 452 U.S. 666 (1981).

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# Progressive Goals, Conflicting Purposes: Labor and Antitrust Law

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Undoubtedly in the past capital has underestimated the strength, unanimity, resourcefulness and stamina of Labor, just as Labor has underestimated the same quality of capital. . . . The fact remains, however, that capital, being the most timid of the two, has rushed into court seeking relief in thousands of cases, where Labor never asked for anything from the courts but to “keep hands off” (Carson 1919).<sup>1</sup>

Where does the supposed labor/antitrust dichotomy fit in a review of contemporary labor law problems? Certainly, tensions persist between antitrust law and labor activity; the Sherman Act categorically outlawed combinations “in restraint of trade or commerce,” while such combinations exemplify unions and the weapons of labor struggle. But it’s not clear that antitrust law presents a major obstacle to empowerment of workers today or that antitrust reform deserves a high priority in our discussion. We might more usefully ask what the perverse history of antitrust and labor law can teach us about “revitalizing” the law of work.

By “perverse” I mean that in some respects antitrust and labor law evolved in opposite directions, effectively swapping their original stances toward labor. While the Sherman Act initially served as yet another antiunion injunction weapon, subsequent amendments and judicial construction eventually shielded a broadly defined universe of labor disputes and self-help activity—including strikes, picketing, and boycotts.<sup>2</sup> Our NLRA regime, in contrast, began with the Wagner Act’s grant of affirmative rights and culminated in the proscription of nearly every truly effective form of union activity. Comparing the two outcomes, a trade union advocate might conclude that labor law has taken us a step backwards from the 1890s antitrust regime—for example, the law now mandates in even stronger terms the government’s resort to injunctions against unions.

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If we ignore, for the moment, our “positive” federal labor law, we might think seriously and creatively about what Atleson ironically termed “the glorious days of yesteryear.” In particular, the antitrust/labor law saga suggests that we once again take as our model “a labor movement that relie[s] less upon law than on organization and collective action,” and envisage what law regime would give that movement room to function. For that kind of movement is more than an historical curiosity. It survives in sectors of organized labor that benefited little if at all from the Wagner Act and in some industries characterized by fragmented or “contingent” work structures.<sup>1</sup> And it’s still the only meaningful response to conditions that do not readily fit current labor relations norms.

Federal law could support an activist labor movement most significantly by a clear “defensive” rule: *noninterference* with workers’ peaceful exercise of their constitutional rights of association, expression, petition and liberty, *in their self-defined interests*, whether those interests are labelled economic, political, or social. Under such a regime, for example, the courts would not enjoin workers from trying to affect commerce by (collectively or individually) providing or withholding labor and services, engaging in or refraining from commercial transactions, petitioning for legal or legislative redress, and inducing or persuading others to do the same. The concepts of “primary dispute” and “secondary boycott” would become immaterial; circumscribed and “appropriate” collective bargaining would not define the object or scope of permitted activity; and legal rights would not depend on an “employer-employee” or “master-servant” relationship. The arena for contest or cooperation and the nonproscribed means at workers’ disposal would be at least as far-reaching, flexible, and creative as the way in which commercial enterprise, trade, and work are organized and financed in our changing economy.

We cannot approximate that vision by concentrating solely on improved representation election procedures, expanded NLRA coverage, stronger remedies for employer misconduct, and workplace democracy in the citizenship mold of current political institutions. At the very least, meaningful reform requires addressing important structural elements, such as who exercises decision-making authority in labor disputes, in light of what experience tells us—that our best course is to take the judiciary (and its administrative counterparts) out of the labor relations system to the greatest extent possible.

The Norris-LaGuardia Act removed the fetters upon trade union activities. . . . Congress in the Norris-LaGuardia Act has expressed the public policy of the United States and defined its



conception of a "labor dispute" in terms that no longer leave room for doubt. . . . Such legislation must not be read in a spirit of mutilating narrowness.<sup>4</sup>

Here the historical intersection of antitrust and labor provides some useful guidance. In particular, Norris-LaGuardia's radical promise of a "hands-off" stance toward broadly defined "labor disputes" stands out as a high point in legislative defense of labor activism. As a stimulus to rethinking the law of work, the Norris-LaGuardia framework offers flexibility to address a variety of evolving work structures and relationships. And where current antitrust law remains troublesome, Norris-LaGuardia could provide a rational point of departure for further legislative proposals.

Shifting our focus from the Wagner Act/NLRA model makes sense for many reasons, including the persistence of regressive values noted by Atleson. We should not omit, however, some equally relevant considerations. The Wagner Act, for example, discriminatorily excluded "agricultural" and "domestic" classifications in which blacks and other minorities worked to preserve that exploited pool of labor.<sup>5</sup> And as witnesses recently reminded the Dunlop Commission, the NLRA as applied still discriminates against women and minority workers who make up a disproportionate percentage of excluded classifications and the "contingent" work force.<sup>6</sup>

More generally, the NLRA system assumes a model of employment and economic relations that seems unrepresentative, if not outdated. The conditions on collective bargaining—for example, majority vote, appropriate unit, mandatory subjects, primary employer—have even less to do with real needs today than they did half a century ago. While the NLRA, unlike the "employee representation" systems pushed by business 70 years ago, requires firms to deal with union agents from outside the shop, the "single-plant" and "single-employer" unit presumptions can still confine workers' bargaining power.<sup>7</sup> And given the current emphasis on high-performance workplaces, the idea that professionals and nonprofessionals could risk their "employee" status and legal rights by exercising intelligence, discretion, and independence on the job speaks for itself.<sup>8</sup> In short, working with the NLRA's peculiar design today can seem as pointless as focusing labor and social policy reforms on a presumed two-parent, one-wage-earner nuclear family.

Despite its strengths, however, the alternative Norris-LaGuardia model falls short in many respects. For example, removing the threat of immediate injunctions to suppress labor activity at its inception does nothing to counteract the equally important tactical role of litigation against unions and workers. The risks and severe burdens of defending a major lawsuit today, even if the union ultimately prevails, can derail and deter activism as

successfully as a restraining order. Even the strongest unions and grass-roots movements are not organized to raise the amounts of capital needed to self-insure or defend against a concentrated legal campaign. And any such efforts only divert energy and resources from labor activity.

Moreover, the reliability of a federal "statutory" labor exemption<sup>9</sup> from antitrust liability remains uncertain when it comes to concerted activity among those who do not fit statutory and common law definitions of "employee." The expansive Norris-LaGuardia definition of "labor dispute" and the recognition in some cases of independent contractors as a "labor group" within the statutory antitrust exemption would argue strongly for a defense of organizing in nontraditional sectors.<sup>10</sup> Yet adverse results in other cases—including the Supreme Court's views on a concerted services strike by nonemployee lawyers—suggest a narrow understanding or bias about who belongs under labor's banner.<sup>11</sup>

Antitrust law can pose equally significant challenges to collective bargaining arrangements, whether "mainstream" or innovative. The "nonstatutory" exemption for labor-management combinations over wages, hours, and working conditions provides no greater security than any other judicial construct; the shortcomings in that defense, moreover, derive not simply from common law notions but also from deficiencies in the exemption's NLRA reference point. That linkage can only hurt as the scope of positive NLRA bargaining rights is whittled away or simply fails to keep pace with industrial reality.<sup>12</sup>

In short, if it makes any sense to discuss legislative reform, we should consider strengthening the Clayton Act/Norris-LaGuardia shield to exempt labor agreements and workers' economic action, defined in the broadest terms and without regard to NLRA criteria. At the same time, to be truly useful, that shield would also need to address a wider range of attacks on labor agreements, including the NLRB's own campaign to prevent unions and workers from achieving, through peaceful collective bargaining, more than the act's limited bargaining duty demands.

Favorable change through legislation, however, appears unlikely. As a practical matter, the labor relations arena remains so polarized and ideological that legislative reform is a kind of "black hole"—it endlessly absorbs efforts and energy with no visible result. Minor adjustments favorable to labor require heroic efforts, and even a major change may have little impact given the minimal status quo. At best our current law grants affirmative rights to only a portion of the American work force. Those favored few enjoy a weak right, bestowed only after debilitating legal and procedural contests: the right to nag their bosses into relinquishing a share of control over a narrow range of matters that affect employees' work. And protected

employees are allowed only the most limited self-help and legal measures to back up their requests. Should workers or their representatives step beyond those bounds, both antitrust and labor law marshal potent economic and punitive sanctions, including the full force of the federal government.

And while academics debate labor law reforms, RICO has opened an even more threatening third front in the war against unions.<sup>13</sup> With its content judicially elaborated and largely unaffected by either labor or antitrust policy, that statute fosters extensive governmental intrusion into unions as organizations, while making routine labor disputes potential treble damages cases in federal courts. By the end of this century, the most significant “revitalization” in our governing law may prove to be RICO’s invitation to revive a “conspiracy” approach to labor activity.

The entire strength of the nation may be used to enforce in any part of the land the full and free exercise of all national powers and the security of all rights entrusted by the Constitution to its care. The strong arm of the national government may be put forth to brush away all obstructions to the freedom of interstate commerce. . . .<sup>14</sup>

The pairing of labor with antitrust law defines a fertile but artificially narrow area for discussion. It also suggests an ultimately false opposition between antitrust and labor laws. Whatever their points of origin, the two systems intersect or converge on a large common ground.

Perhaps more importantly, both legal structures derive their legitimacy and mission from the constitutional authority of the United States to control and assure the free flow of “commerce” in its broadest sense. As all commerce depends on workplace labor and marketplace acts, both antitrust and labor law treat workers’ concerted control of their own labor and influence of others’ economic behavior as direct or indirect obstruction of commerce—that is, as an evil to be proscribed or at least strictly confined. Restrictions on labor activity and promotion of collective bargaining as a means and end—the fist and the velvet glove—serve the common purpose of protecting trade against disruption. And that purpose predictably outweighs other constitutional rights and values when citizens act in their worker and union capacity.

Against that background, it seems remarkable that federal antitrust law still provides a statutory bulwark for traditional labor activities. Even more notable is that the antitrust arena now gives labor’s “nontraditional” weapons perhaps their most significant legal shield—that is, the *Noerr-Pennington* doctrine protecting petition for redress in the courts, in the

legislatures and before government bodies.<sup>15</sup> Ironically, the First Amendment defenses that federal courts readily extend to concerted activity are either resisted or ignored altogether at workers' own agency, the NLRB.<sup>16</sup> Examining why and how we came to that point might be the next important step in thinking about law reform.

## Endnotes

<sup>1</sup> Joseph Carson, *Law of Injunctions, Picketing, Boycotts and Conspiracies as Found in Labor Cases* 47 (1919).

<sup>2</sup> For an overview, see *Bodine Produce, Inc. v. United Farm Workers Organizing Committee*, 494 F.2d 541, 544-555 (9th Cir. 1974).

<sup>3</sup> The NLRA, for example, has provided little benefit to worker organizing and representation in the construction sector. At their best the Wagner Act's protections remained out of reach, as the NLRB declined to exercise jurisdiction over the building and construction industry during the period between 1935 and the Taft-Hartley amendments. See, e.g., *Brown & Root, Inc.*, 51 NLRB 820 (1943), *Johns Manville Corp.*, 61 NLRB 1 (1945), and *Guy F. Atkinson Co.*, 90 NLRB 143 (1950). Since that time, the Board's and the courts' application of the law has aimed largely at curbing the scope and effectiveness of union "economic" weapons in construction settings and at destabilizing voluntary collective bargaining. In particular, in an industry characterized by separation of control over work from nominal employment and by division of the work force among numerous enterprises, the "primary"/"secondary" distinction routinely condemns workers' action in the true arena of management power. See, e.g., *NLRB v. Denver Bldg. & Constr. Trades Council*, 341 U.S. 675 (1951), and *Markwell & Hartz, Inc.*, 155 NLRB 319 (1965), enf'd 387 F.2d 79 (5th Cir. 1967), cert. denied, 391 U.S. 914 (1968). Moreover, the Board's gratuitous overlay of a limiting and employer-defined "appropriate unit" doctrine, on an already artificial "separate employer" analysis, sanctioned escape from union contracts by the bootstrap device of "double-breasting"—that is, contracting for construction work on labor terms that deliberately breach collectively bargained provisions. See, e.g., *South Prairie Construction Co. v. Operating Engineers Local 627*, 425 U.S. 800 (1976) and *Peter Kiewit Sons' Co.*, 206 NLRB 562 (1973). In *John Deklewa & Sons*, 282 NLRB 1375 (1987), the Board further limited the affirmative reach of Section 8(a)(5) for building trades unions by allowing employers to walk away openly from bargaining relationships not formed on the industrial model, notwithstanding the import of the 1959 amendments adding Section 8(f). And the Board continues to prosecute aggressively unions' attempt to preserve through voluntary bargaining what the NLRA doesn't give them purely by operation of law. See, for example, the pending *Manganaro* litigation, *Painters and Allied Trade District Council No. 51 (Manganaro Corp.)*, Cases Nos. 5-CC-1036, etc., JD—313—86 (12/18/86), appeal pending; *Plasterers & Cement Masons (Marina Concrete Co.)*, 312 NLRB 1103 (1993).

<sup>4</sup> *United States v. Huthcheson*, 312 U.S. 219, 234-235 (1941).

<sup>5</sup> Bernstein, Irving. 1969. *Turbulent Years* 145-148 (agribusiness employed "suppressed races" as a "free labor force on terms which competed favorably with slavery"), 150-170 (grass-roots organizing efforts), 326 (Wagner's admission that agricultural workers were excluded "simply because of the power of the farm bloc in Congress"); Gordon, Linda. 1994. *Pitied but not Entitled: Single Mothers and the History of Welfare* 5, 266,

275-276 (New Deal legislation typically excluded the Black workers on which the culture and economy of the South depended).

<sup>6</sup> Testimony of a coalition of 25 women's groups, including 9 to 5, CLUW, the Women's Legal Defense Fund and the YWCA, before the Commission on the future of Labor-Management Relations (written submission dated April 6, 1994).

<sup>7</sup> See, e.g., *Dekelwa's* imposition of a "single-employer" unit to facilitate decertification of unions in construction industry multiemployer relationships, 282 NLRB at 1385; and the Board's prosecution of "coordinated bargaining" efforts by industrial unions, *Kobell v. United Paperworkers*, 965 F.2d 1401 (6th Cir. 1992) and *Paperworkers Local 620 (International Paper)*, 309 NLRB 44 (1992). Also significant is the Board's insistence on its exclusive authority over all "unit" or "representational" matters and the use of that doctrine to attack collective bargaining and grievance-arbitration activity by unions. See, e.g., *Teamsters Local 776 v. NLRB ("Rite-Aid")*, 973 F.2d 230, 234 (3d Cir. 1992).

<sup>8</sup> See, e.g., *NLRB v. Health Care & Retirement Corp. of America*, \_\_\_ U.S. \_\_\_, 114 S.Ct. 1778 (1994), *NLRB v. Yeshiva University*, 444 U.S. 672 (1980), and *NLRB v. Bell Aerospace Co.*, 416 U.S. 167 (1974). Early proponents of "scientific management" and industrial pluralism unabashedly voiced the ideas that have apparently informed later determinations of "employee" status under the NLRA: "no man wants to be burdened with the care and responsibility of deciding things" (Henry Ford); "the science of handling pig-iron is so great that the man who is fit to handle pig-iron and is sufficiently phlegmatic and stupid to choose this for his occupation is rarely able to comprehend the science of handling pig-iron" (Frederick Winslow Taylor). Melvyn Dubovsky, *Industrialism and the American Worker, 1865-1920* 82-83 (1975).

<sup>9</sup> In *United States v. Hutcheson*, 312 U.S. 219 (1941), the Court ruled that the Clayton and Norris-LaGuardia Acts establish a substantive exemption from antitrust liability covering the full range of acts immunized from court injunction, provided that the union "acts in its self-interest and does not combine with non-labor groups." Where those criteria are met, "the licit and the illicit—are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means." *Id.* at 232. The statute, in contrast, provides no equivalent exemption for one of the standard goals of such labor activity, "combination" with employers in the form of a collective bargaining agreement. The so-called "nonstatutory exemption" available to labor-management pacts and joint action derives from judicial accommodation of federal labor law policy encouraging collective bargaining; its scope varies with the courts' understanding of that policy and the competing antitrust interests asserted. See, e.g., *H. A. Artists & Associates, Inc. v. Actor's Equity Ass'n*, 451 U.S. 704, 716 n. 19 (1981) (exemption protects joint dealings "intimately related to the union's vital concern of wages, hours, and working conditions"); *Connell Construction Co. v. Plumbers & Steamfitters Local 100*, 421 U.S. 616 (1975); *Local 189, Amalgamated Meat Cutters v. Jewel Tea Co.*, 381 U.S. 676 (1965); *United Mine Workers v. Pennington*, 381 U.S. 657 (1965); *Allen Bradley Co. v. Local 3, IBEW*, 325 U.S. 797 (1945). Notwithstanding Justice Frankfurter's admonition, that same scrutiny of the union's means and ends now infects judicial construction of the "statutory" exemption; over the years the courts have added the qualifier "legitimate" and have appropriated the authority to decide what falls within a union's "legitimate self-interest." See, e.g., *USS-POSCO Industries, Inc. v. Contra Costa Bldg. & Constr. Trades*

*Council*, 31 F.3d 800, 146 LRRM 2961 (9th Cir. 1994) and cases discussed ("Whether the interest in question is legitimate depends on whether the ends to be achieved are among the traditional objectives of labor organizations").

<sup>10</sup> See, e.g., *Milk Wagon Drivers' Union Local 753 v. Lake Valley Farm Products, Inc.*, 311 U.S. 91 (1940); *Local 24, Int'l Brotherhood of Teamsters v. Oliver*, 358 U.S. 283 (1959); *American Federation of Musicians v. Carroll*, 391 U.S. 99 (1968); *H. A. Artists & Associates, Inc. v. Actors' Equity Ass'n*, 451 U.S. 704 (1981); *Home Box Office v. Directors' Guild of America*, 531 F.Supp. 578 (S.D.N.Y. 1982), *aff'd*, 708 F.2d 95 (2d Cir. 1983).

<sup>11</sup> See, e.g., *Federal Trade Commission v. Superior Court Trial Lawyers Ass'n*, 493 U.S. 411 (1990)(prosecution for conspiracy and boycott in violation of the FTC Act, defendants did not litigate "labor" exemption); *United States v. National Association of Real Estate Boards*, 339 U.S. 485 (1950); *Spence v. Alaska Pilots' Assn*, 789 F.Supp. 1007 (D. Alaska 1990); *Taylor v. Local 7, Int'l Union of Journeyman Horseshoers*, 353 F.2d 593(4th Cir. 1965). Compare *Checker Taxi Co. v. Production Workers*, 113 FRD 561, 124 LRRM 3257 (N.D.Ill. 1986), *aff'd* 834 F.2d 173 (7th Cir. 1987), *cert. den.* 485 U.S. 1009 (1988)("independent contractor" status not conclusive as to "labor dispute").

<sup>12</sup> Consider, for example, the shifting terrain of mandatory "decision" bargaining from *Fibreboard Paper Products Corp. v. NLRB*, 379 U.S. 203 (1964) to *NLRB v. First National Maintenance*, 452 U.S. 666 (1981) and the doctrine of *Dubuque Packing Co.*, 303 NLRB 386 (1991).

<sup>13</sup> See Bassetti, Victoria. 1992. "Note: Weeding RICO Out of Garden Variety Labor Disputes," 92 *Columbia Law Review* 103.

<sup>14</sup> *In re Debs*, 158 U.S. 564, 582 (1895).

<sup>15</sup> *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961)(legitimate exercise of First Amendment right to petition government for redress is immune from antitrust liability); *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972)(explaining *Noerr-Pennington* doctrine and "sham" exception). See, generally, Durie, Daralyn J. & Lemley, Mark A. 1992. "The Antitrust Liability of Labor Unions for Anticompetitive Litigation," 80 *Cal. L. Rev.* 757. For recent examples of the doctrine in application to labor activity, see *USS-POSCO Industries v. Contra Costa County Bldg. & Constr. Trades Council*, 31 F.3d 800, 146 LRRM 2961 (9th Cir. 1994)(*Noerr-Pennington* doctrine shielded litigation, regulatory and lobbying activity that may have exceeded the scope of the "statutory" labor exemption); *Brown & Root, Inc. v. Louisiana AFL-CIO*, 10 F.3d 316 (5th Cir. 1993)(doctrine protected lobbying activity from LMRA Section 303/8(b)(4) liability).

<sup>16</sup> The NLRB General Counsel prosecutes unions under Section 8(b)(4)(B) for the same First Amendment activity that the courts find exempt under *Noerr-Pennington*, and without regard to the Supreme Court's admonition that "restrain or coerce" is to be read narrowly to avoid Constitutional conflict. *Edward J. DeBartolo v. Florida Gulf Coast Bldg. & Constr. Trades*, 485 U.S. 568, 654-658 (1988). See, for example, the GC Advice Memorandum in *Tame T.I.C. & United Association (TIC-The Industrial Company)*, Cases Nos. 27-CC-826, etc. (January 27, 1993), which dismisses the *Noerr-Pennington* doctrine as inapplicable and completely ignores *DeBartolo*.

# Flexible Production Systems, Workforce Polarization, and Worker Collective Action

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The transformation of the workplace is not as inviting a prospect as some of the more optimistic writing would have us believe. That writing, at least implicitly, has faith that the leading industrial powers will transform themselves voluntarily into postindustrial societies whose workers live only on one side of the industrial divide, a population educated and retrained to become self-directed, continually adaptive work teams (Piore and Sabel 1984).

To achieve this utopia, many seem prepared to concede that labor law and labor unions must change radically and that the labor movement must reconceive itself, among other things, as a facilitator of independent company unions and individual workers' rights (Edwards 1993; O'Connor 1993; Weiler 1990; Bluestone and Bluestone 1992). For notwithstanding the older foundations of labor law and organizing, which were adversarial and taught distrust, the new forms of work require considerable trust in workplace relations.

We are concerned that this writing sends the wrong signals, that the optimism is misplaced. Our question is not how to facilitate management-labor cooperation but how to articulate workers' collective interests broadly and envision ways to organize around those interests effectively. Unless workers organize in opposition to current free-market trends and corporate policies, the U.S. will continue to degenerate into a two-tier society of haves and have-nots far more rapidly than any other industrialized society.

While the organizing and maintenance of an effective opposing voice in the U.S. requires numerous kinds of engagements, our point of departure here is the erosion of the central concept in U.S. labor law; namely, the "employee." The rise of more sophisticated, flexible production networks has, at the election of corporate managements, been driving workers who

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were once employees of large vertically and horizontally integrated firms in several potentially contradictory directions.

First, there are adaptive, cooperative postindustrial employees who are encouraged to take on traditionally managerial functions, only to lose their rights to join with other workers against managerial exploitation. Second, there are "core" employees whose self-representation is compromised by an interest in their firm's success and the dominance of management ideas about workplace cooperation. Third, there are contingent workers—some directly employed in permanent part-time or temporary jobs, others as independent contractors—who lack the capacity to organize and are frequently deprived of employment status for purposes of legal protections. Fourth, there are employees in networks of, in effect, subcontracting firms: these employees have no representation in the governance of the network and have little capacity to act collectively with employees in the network's other firms, some of which are competing suppliers or distributors, to influence the principal decision makers' policies.

Law reform and the labor movement must resist these contradictory trends and find grounds on which to unify workers' diverging interests. Rather than recommend specific changes in the law here, we seek to identify areas in which law reform and broadening the bases for worker collective action may converge.

### **Optimism Unwarranted**

Our first point is that the writers are focused on only a small part of the workforce in drawing their optimistic conclusions about the future of workplace cooperation, trust, and flexible production. As Paul Osterman's recent survey of U.S. plants indicates, only 35% of workplaces even claim to be transforming themselves in line with the new production systems (Osterman 1994). And he surveys only production work, not the larger sector of service industries, which in 1992 occupied over 80% of the nonagricultural workforce (U.S. Bureau of Census 1995; Sweeney and Nussbaum 1989).

Meanwhile, we are left with workplaces in which Taylorism and proletarianization are taken to its extremes: work segmented and routinized; and workers deskilled by their lowest common denominator, overseen by unflinching authorities, and pressured by a worldwide reserve pool of replacement workers (Horwitz 1994; Appelbaum 1987; Kern and Schumann 1984). In this realm the term flexible production means merely managerial convenience, part-time and seasonal work, contracting out, plant relocation, and egregious union-busting tactics (Belous 1989; Linder 1992a, 1992b; Storper and Scott 1990).



Workers who are in fact related by their work on common products and who might in previous decades have been working for a single, vertically and horizontally integrated corporation now find themselves disassociated from one another and working instead for an amorphous and market-adaptive network of contractors and subcontractors (Best 1992; Williamson 1985).

Accordingly, the optimistic view, which sees reorientation of labor law and organizing movements as central to achieving trust and cooperation, seems misdirected. It tends to overlook these "other" workers, mired as they are on the other side of the divide, even though they remain in our backyards and constitute a majority of the workforce (Block 1990:110). Indeed, the appeal of this postindustrial utopia is undeniable: work as community, democracy, cooperation, and individuation. So, too, is law reform to secure high wages and participatory rights for an important but smaller group of workers. But the optimism of this writing also suggests a quiet despair about those other workers and the impossibility of securing their welfare in a competitive world environment driven by self-interest and incredibly powerful technologies, political as well as economic (Weiler 1990).

Our second point is that the writers are overlooking profound changes in corporate management that have come about over the past thirty years. The changes are closely tied to the movement for investor collective action. Notwithstanding their ongoing claims to the contrary, managers are neither autonomous stewards of the corporation nor promoters of broadly defined corporate responsibility. Nor are they amenable, as they used to claim, to trust relationships with stakeholders *other* than investors.

In the conventional analysis of gainsharing, investors and workers join their resources to create quasi rents—that is, residual profits over and above the typical operating expenses of firms in the industry. These quasi rents are then the subject of bargaining between the investors, the managers, and the workers. In some models, managers function as mediators or judges in reconciling worker and investor demands; in others, managers are merely self-interested, seeking a share of themselves, but held accountable by their reliance on investors or workers (Aoki 1982; Williamson 1985).

A central feature of postindustrial utopianism is the idea that managers will become increasingly accountable to worker interests once they come to rely on worker cooperation and participation to create quasi rents. In other words, once managers understand that flexible and cooperative work arrangements which motivate employees and deliver productive efficiencies can give them a competitive edge, they will commit to such systems,

even to the point of condoning company unions or other forms of worker collective action.

Notwithstanding this hope, however, the role of management has been moving sharply away from accountability to workers. Although optimism may be appropriate at the level of the shopfloor, where production managers and their immediate supervisors faced with worker resistance might well remain committed to the transformation, at the higher levels of corporate management, these plant-level commitments are not likely to withstand short-term cost-cutting initiatives or "denominator management."

The role of top-level corporate management has been reshaped over the past three decades (Kaufman, Zacharias, and Karson forthcoming). Since the early 1960s, when managerial capitalism reached its peak in the United States, there has been a series of ideological and practical pressures on top management to realign its interests. The principal beneficiaries of the change were investors, the principal losers were workers and communities that had become dependent on a corporate presence. A series of financial and legal changes over twenty years gave impetus to aggregating shareholder interests, rendered the "market for corporate control" increasingly active, and so put new pressures on ostensibly poorly performing managements. More recently, refinements in the compensation schemes of top managements have realigned managerial interests with those of shareholders.

In short, managerial capitalism is no longer headed by autonomous managers but by financial agents whose vision day to day is confined by the financial markets, the competition for their corporations' control, and self-interest in maximizing their own wealth through stock ownership and profits. In large part, this shift has come about because shareholders are far easier to organize into collective actors than any other class of corporate stakeholders, and this tendency has been further eased by regulations encouraging institutional investment, by computers, and by cheap telecommunications. Managers will not only seek to enhance the gains of investors (including themselves) but also to further the capacity of investors to dominate gainsharing procedures by continuously fragmenting broad-based worker attempts to organize themselves.

### **Workers' Interests in Interfirm and Extrafirm Collective Action**

There will be continuing pressure to disaggregate firms and employment, both to exploit the industrial divide and to fragment workers' collective interests. No doubt, there will be a small core of "strategic employees" who will enjoy the potential benefits of flexible production systems. Beyond that core, however, top management can be expected to engage in

continual cycles of downsizing, subcontracting, and worker replacement to keep workers at a disadvantage in bargaining. As we noted, the capacity of investors to become organized in the face of any threat to their wealth will pressure managements to act against any broad-based worker interests (Sabel 1982). The problem then is to resist this tendency—how to articulate workers' collective interests broadly and envision ways to organize around those interests effectively.

One focus of recent law reform writing has been on nurturing autonomous company unions (Barenberg 1994). Without more, this focus has a deeply divisive potential. Accordingly, we would insist on broadening earlier firm-oriented perspectives in labor and employment law. For example, managers make choices about designing technologies: new technologies can facilitate worker cooperation on a broad scale or they can subdivide the workforce into core and contingent workers. If workers believe they will inevitably be among the core workers, they will tend to go along with management's prerogative. In contrast, if workers see management's prerogative as a potential limitation on their own career prospects, then they may organize to have a say in the introduction of new technologies, even if such voice has to be won at some expense. In developing this awareness of a shared interest among workers, it is essential that representation be kept as open as possible. That is to say, who is to be considered an "employee" for purposes of representation must include everyone potentially affected by technological decisions, including quasi-managerial workers, workers related through a network of contracts and contingent workers. To the extent that the NLRB's prohibition on secondary boycotts precludes workers in one firm from placing pressures on another firm's production policies, a push for reform would focus attention on the broader issue of technology and its control.

Another opportunity for developing broader shared interests is in the realm of corporate governance itself. As we noted above, investors can hold managers accountable because they can ultimately replace them through direct boardroom actions or indirectly through tender offers and the market for corporate control. While workers do not own shares directly, they are represented in pension funds, ESOPs, and so forth. Indeed, Masahiko Aoki has suggested that the managers, in mediating the competing demands of institutional investors and union representatives, are in effect seeking to strike a proper balance between the workers' longer-term interests in saving for retirement, etc., against their shorter-term interests in consumption. In any case, there may be instances when it is clear to worker representatives that managers are performing poorly in striking that balance or in deploying labor itself. To the extent worker representatives

become expert in these realms and can second-guess management persuasively, they may also be able to hold managers more accountable and even move managerial ideology itself in more favorable directions (i.e., restoring management's role as an effective nongovernmental mediator).

At still a broader level, the overarching problem is inequality and the polarization of interests among workers on either side of the industrial divide (Harrison and Bluestone 1988). Inequality is endemic to the labor markets, especially in the U.S., with its geographic differences, historical variety, and relative antipathy to regulation.

Even the most centralized systems of wage administration cannot reconcile these inequalities completely; nevertheless, it appears that maintaining or raising incomes in a less skewed fashion has been lost in policy discussions. At one time, for instance, progressive taxation served to even out the differences somewhat, but such redistributions have lost favor. Meanwhile, we confront misguided arguments about the social efficiencies of a flat tax—that everyone, rich and poor, should pay at the same rate for public goods—as well as proposals to deflect tax pressures on the federal government to the states where tax rates are even flatter.

Perhaps the most regressive aspect of polarization is the gradual erosion of the social wage. Contingent workers are frequently excluded from participation in social insurance programs or penalized when they seek to join. This is the result of employer discretion in designating workers as benefited and federally entitled employees or as independent contractors or as not benefited employees (Linder 1989, 1992a, 1992b).

The tendency of flexible production systems to rely on efficient supplier networks and contracting, rather than older, single-firm mass production systems may speed recognition of shared interests among workers in different circumstances. Under the old framework, workers may have been induced to submit to relatively large employers who controlled their careers to take advantage of certain transaction cost efficiencies (Linder and Zacharias 1993). The simple argument is that a large pool of workers, even if they are organized solely by the employer, can buy into a variety of insurance pools more efficiently than individual contractors or smaller groups of employees. In effect, market changes are now converting workers in the pool—that is, those designated “employees” under federal labor and employment laws—into contingent and non-employees and are forcing those workers to manage their own insurances and bear the higher transaction costs of doing so. This is an ironic twist on the meaning of resourcefulness, a quality for which flexible production is being touted. At the same time, these changes provide an opportunity for renewed discussions about the social wage, how to pay for it, and how to make it equally accessible.

## Leanings

Flexibility, cooperation, and decentralization may provide new opportunities for some core workers. However, for the majority of the workforce, corporate downsizing and new “network” production and service complexes, with their pressure for flexible work contracts, are likely to diminish living and working conditions.

Given the financial incentives and alliances governing these restructured systems, employers in a postindustrial era are no more likely to volunteer to restructure jobs to benefit the majority of workers than were those in power at the turn of the last century. Without collective action by workers to oppose absolute financial control, management will have little interest in sharing power and developing multiskilled jobs for large groups of workers. To the extent self-directed, cooperative, multiskilled work teams offer firms competitive advantages, employers can be expected to reserve such teams for a minority of core workers and segregate those teams from a supportive labor infrastructure comprising multiple employers in dynamic networks and relying increasingly on contract and contingent workers.

U.S. collective bargaining laws, meanwhile, are at best irrelevant and at worst obstacles to providing legal protections and support for workers' collective efforts to influence the direction and content of work transformations. Incremental reforms of the NLRA to address concerns regarding potential management domination of company unions in cases of multiskilled, cooperative teams ignore the much more fundamental problems.

To fit the restructured work world and today's industries, labor law reforms would have to provide protections for workers organizing across employers and give collective voice to workers engaged in common production systems. Protection of worker's rights to collective action would have to recognize that large corporations have given way to contract networks reaching across firm-specific and worksite-specific boundaries. In this context, law reform can focus attention on certain broadly shared interests and so underscore organizing efforts. These include interests in decisions about technological innovation and organizational change, corporate governance and management's public values, and discussions about income distribution that reflect the social wage and worker access to public goods.

Insofar as workers do not have sufficient bargaining power to begin curbing industrial segmentation and polarization directly, labor market regulations, such as minimum hours, wages, and benefits, provide a means for limiting the managerial practice of privileging some workers through

meaningful jobs, while relegating the larger group of workers to narrowly defined tasks and contingent status. In other words, by setting wage and working condition floors at higher levels, managements will be pressured to take into account workers' potential capacities rather than their minimal competencies and might adopt policies that develop workers (i.e., to justify their expense and fulfill their potential).

Such changes in labor laws are unlikely to come about voluntarily. An optimistic vision is clearly necessary to motivate change, but optimism must be placed on realistic foundations. Taken down one road, the brave new world of a postindustrial society may indeed have the potential of enriched work life and a healthier economy and society. But the experience of the last twenty years teaches us that left to "free" market forces, the transformation might well replace the old social pyramid and its broad middle with a new geometric shape that has a small head, no middle, and a broad base.

By acknowledging the fundamental lack of fit between the laws we have and the collective action and workplace we envision, perhaps academic and public policy debates will be able to reach out to a broader audience and revitalize the demand for change.

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## DISCUSSION

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The Association's injunction that comments be kept brief might be thought restrictive by a stranger, but it can be liberating. In this case the requirement impels me down a track I feel inclined to follow in any case, one of unobtrusive bluntness.

This panel addresses the continuing drawn-out death march for unions and working people that passes for labor relations law in this country and gropes heroically for a means—new language, new substance, new concepts—to “revitalize” labor law. I do not in any sense at all question the sincerity of the effort, and I applaud the inventiveness participants have shown. I am particularly taken, for example, by Pleasure and Greenfield's decision to focus their paper on the possibilities for innovation that exist at the intersection of law and work, rather than on reform of the law of labor organization. This parallels a tendency that has been gathering steam among labor law historians for several years now, to shift attention somewhat away from exclusive concentration on the law of collective action to the legal construction of employment relations. In my own case, for example, I am trying now to figure out what work's legal culture is and how that legal culture changes over the very long term.

But scholarship always occurs in the shadow of present trends. Our particular present is one that relativizes with a vengeance projects of purely historical inquiry such as mine, while, also and more importantly, making it well-nigh impossible for the range of opinion represented on this panel actually to enjoy any realistic chance of appropriating the course of labor law revitalization to its recommended agenda. For as all the papers note in one way or another, a revitalization is ongoing already. The salient point about the revitalization, however, is that it is one distinctly unpalatable to liberal academics and to those protagonists within the world of work with whom they are prone to identify. For this is a revitalization being led by the courts, not the liberal academy. And what the courts are revitalizing is the common law of master and servant.

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In fact, it doesn't require too much effort to revitalize master and servant law, because it never went away very far. For 200 years in this country, as in the other anglophone legal cultures, master/servant has been the template—the active or at worst the default option—of the social structure of work and employment. But master/servant's increased liveliness of late seems to me to make even more utopian than usual the prescriptions, wish lists, practical suggestions for rewriting, and other impedimenta that get developed in the course of scholarly participation in law reform. Both because of where revitalization is occurring and because of its substance, it seems to me unlikely that such debates as ours can have much impact upon it.

As several authors here represented argue in their paper, *Town & Country Electric, Inc. v NLRB*, 34 F.3d 625 (1993) stands as but the latest expression, though perhaps one of the clearest, of the gathering return to the common law of master and servant law as the generic discourse of the employment relation. In work that I completed two years ago, I attempted to track the reception and development of that discourse in this country during the first half of the nineteenth century (Tomlins 1993). Years before that, when the bloom was still on the postwar pluralist consensus, Selznick (1969) had argued that the American story was one of master and servant's twentieth century eclipse. Somewhat later, Atleson (1983) drew to our attention evidence of its subterranean survival. Atleson can no doubt feel vindicated, though I'm sure he takes no pleasure in it; but in any case, the larger point is how we should understand this revival. I don't think master/servant should be thought of as the legal equivalent of TB—seemingly eradicated, but now making a comeback. I don't think it ever went away. That is because it is imbricated in the structure of all productive activity. The legal relation of master and servant is, after all, a discourse that attributes and distributes authority and subordination in the performance of work. It is both the description of a fact situation held to be the norm of work performance—that efficient performance requires someone to command in detail another's performance of a task—and the ideological legitimation of command. It provides the default description of work as a social process—namely, that it is performed in hierarchies—and an official inscription of authority on work. And it is very adaptable. As the American treatise writer Timothy Walker (1837:243) put it, it exists “wherever civilization furnishes work to be done.”

In this century working people have fought very hard indeed for collective organization, a struggle generally regarded as bearing one of its most impressive fruits in the passage of the National Labor Relations (Wagner) Act in 1935. Yet even at this undoubted high point, the organizational projects

that the Wagner Act legitimated were allowed to make only very limited inroads on the set of social and economic and legal processes that constituted the legal culture of work. As Krieger points out, whole sectors of work—agricultural, domestic, household—were closed off from the beginning. And in those sectors where the Act did operate, wherever legislated rights rubbed up against work's disciplinary hierarchies it was the latter that proved the more resilient (Barenberg 1993; Tomlins 1985).

In my utopian moments I can be persuaded to allow that maybe in its original conception the Act was indeed intended to encourage, as ends for their own sake, what Atleson describes in his paper as the values of worker participation and industrial democracy. But frankly I don't have many utopian moments. And so for the most part, I see little practical point in analyses of labor law history that strive to recover smidgens of imagined lost possibilities in order to build them into current might-bes. I worry that this popular historical trope—of lost alternatives, of tantalizing incipient possibilities, of so-called usable pasts—actually turns into a well-intentioned collaboration in the deceiving of those for whose assistance, ostensibly, the usable past is recovered. Imagining possibility, we end up elevating it above reality in a way that actually assists in the perpetuation of obfuscation (Meranze 1993)—in our particular case, obfuscation of how and why the labor movement became mired in the very grave situation it faces in this country and of just how much concrete effort it will take to do anything about it. Pleasure and Greenfield's description of this situation as the outcome, in part, of juridical nullification of an original broad legislative intent, I feel, is an example. First, the breadth of congressional intent, given the original exclusion of all agricultural and domestic and household labor, is debatable. Second, Taft-Hartley further eroded NLRA jurisdiction by explicitly underlining the exclusion of independent contractors and supervisors. But third, and accepting for the sake of argument the premise of original broad intent, given a legal culture that especially in recent years has consistently followed a trajectory of harassment and limitation of labor law's breadth of application, just how realistic is it to hold out to the uncovered the prospect that that same legal culture can now become the site of a reenvisioning of the law of work; that it is now going to give them what so many of its denizens have worked so assiduously for so long to make sure they don't get?

At bottom, stripping sophistication, the point that I always feel myself impelled to emphasize is just how greatly, historically, the odds have been stacked against working people in America, how huge fights have been necessary to grind out little victories. Offhand, I can think of no other area of social and legal contestation, perhaps outside civil rights, quite like it. As

Krieger observes, labor law is indeed a black hole that effortlessly absorbs resources with no result. Scholars must explain why this is, rather than spend their time endlessly optimistically ramming more reform proposals into the hole in the hope that someone will finally throw a bone. Rather than searching out usable pasts and attempting to make them foundations for useful presents, I think we need to explain very carefully why that black hole exists and has persisted and in the process learn to hedge our reliance on what has taken so much from labor and given so little in return.

Perhaps this rather sardonic appraisal reflects my position as a historian, for as such I surely have to be more accepting of my limited relevance to public debate than the lawyer who, Atleson tells us in his paper, has been "trained to believe that law can be an engine for [implicitly progressive] change." (Or perhaps it reflects my inclination, as a particular kind of historian, to be skeptical of the existence of a plurality of possibilities immanent in the law that I study.) I do not find much reason to see much of American labor law as an expression of what the late E. P. Thompson (1977:266) called "an unqualified human good," by which he meant the ideal of the rule of law. Be the reason what it may, at this particular historical moment I feel myself at a remove from those who pursue a scholarship or reform—of solutions or possibilities or patches, as it were. I think that to offer solutions when you don't have the initiative is to whistle in the wind. The only scholarship with which I can feel comfortable at the moment is one of exposure and opposition; an unillusioned scholarship whose saving grace is that possibly its exposés can be of some instrumental assistance to those who in their daily lives are required to confront what is fast becoming one of the most reactionary systems of labor law in the developed world.

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## DISCUSSION

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All four of the papers echo the theme that the Service Employees International Union and certain others offered in their Dunlop Commission testimony that fine-tuning the NLRA with an eye toward a “more level playing field” is not sufficient to address the basic ill fit that now exists between our labor relations system, which was developed in the 1930s, and today’s economic structure, in which employees barely know who their employer is; that even when they do know, the employer is typically not one who possesses any true control over their employees’ actual economic conditions; and that a basic overhaul of our labor law system is necessary. Each of these papers in its own way makes a valuable contribution to an understanding of why this is so.

Jim Atleson, in describing or suggesting the evolution of a perversion of values intended by the Wagner Act, warns that *any* attempt to refit our legal system to today’s economic realities may be futile—particularly if we are not strong enough to stare down the legislative drafters, agencies, and judiciary—because we will simply witness the same perversion of any new law’s intent, given the deep-seated, innately hostile, culturally predominant values.

His point is well taken that we must stop thinking we can convince employers to *voluntarily* embrace unions in the name of competitiveness, productivity, and quality. There is little evidence so far that employers see labor as having much to offer in this regard—at least not to the point that it has become a trade-off for recognizing unions or other truly independent forms of worker representation, collective bargaining, or general improvement of industry standards. Rather, the only time employers offer us anything in exchange for cooperation is where the threat of *noncooperation* is a price they don’t wish to pay or don’t wish to keep paying. But once Jim Atleson concludes that our goal should instead focus on participation as a democratic or human right, I am not sure where that leaves us. In today’s political and cultural climate, how do we get there?

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Kathy Krieger's paper also presents a convincing case for the proposition that the main components of today's labor regulatory scheme are more harmful than helpful and that labor has been powerless to protect against a net worsening of labor protections, when you weigh the costs and benefits of the NLRA and antitrust and throw in RICO for good measure.

Her discussion on the experience in the construction industry where the basic ill fit has existed since long before people started talking about "contingent workers" is instructive. And those of us who personally spent many hours over the past two years attempting—obviously without much success—to influence the Dunlop Commission's appreciation of the ill fit and need for a more fundamental type of labor law reform can certainly identify with what Krieger describes as the legislative reform "black hole" into which efforts and energy are endlessly absorbed due to the extreme polarization in the labor relations arena.

But again, I found myself uncertain about the final conclusion. Is it really realistic to think that we are better off ignoring this arena or deregulating this arena? For look what can happen, as Pleasure and Greenfield point out, when the employment laws do not sufficiently guarantee even the meager protections we think we have. As the *Darden* case shows, the lack of precise statutory standard doesn't necessarily mean *no* standards with *more* freedom in which to operate; rather, it can signify a resort to *common law* standards which often are worse.

I found the Pleasure and Greenfield paper fascinating in its discussion of the evolution of the definitions of "employee" and "employer." It reminded me of an SEIU hospital local I used to represent, which spent endless hours insisting at the bargaining table on substituting "worker/boss" language in place of all of the "employee/employer" references. This was a strong local that did pretty well on getting the term "worker" into its contracts, but I'm not sure they ever got an agreement over the use of "boss."

Clearly, we'd be better off under the originally intended definition of employee. Much of SEIU's focus in its Dunlop Commission testimony and before the Metzenbaum Committee on the proposed Contingent Workers Protection Act last year was on how the definition of employee under the various employment statutes needs to be based on today's economic realities. And there are some models for this: the FLSA is better than some others, the California Agricultural Labor Reform Act and, perhaps most impressive, state workers compensation laws, where employers have, of course, successfully lobbied to get a very broad, inclusive definition of "employer."

Interestingly, §7 of the NLRA has—at least for now—maintained a broad all-employee application, not limited to employees of a particular employer, and I will suggest in a moment some potential that this may offer in terms of opportunities for collective worker action.

Finally, the Zacharias and Schoen article was also fascinating: tracing the changing nature of the interrelations between financiers, managers, shareholders, and so-called *core* employees' respective interests and power as another way of illustrating why we have to stop thinking of how to tie rights of employees vis-a-vis their so-called employers and instead focus on how to expand the rights of workers generally and how we have gotten from a social pyramid to a social upside-down ice-cream cone.

But even these last two papers leave us asking what this means programmatically. And here I would offer a few suggestions that seem to flow from the thrust of all four papers as a whole—suggestions that *combine* the need for more militant, direct action by workers with a continuing effort to obtain meaningful labor law reform (or “economic opportunity” reform).

First, there is a need and ability in many industries for workers and unions generally to avoid NLRA recognition and formal collective bargaining procedures and instead direct secondary campaigns targeting a whole industry or a whole market, with the combined goals from the outset of organizing and raising industry standards. The focus must not be on a single employer or a single workplace collective bargaining agreement nor even a single secondary entity, but rather on a grouping of key secondary entities that typically control the work standards of the industry in the particular market.

This has been the basis of the Services Employees International Union's Justice for Janitors campaigns in a number of cities around the country—where the large building owner corporate entities, who at the start protest having no control over their contractors' employees, ultimately are made to realize, as rational business people, that the costs of finding (“noncooperation”) become greater than the costs of dealing (“cooperation”) with the union.

Second, we must remember that NLRA §7 rights are not limited to employees of a particular employer or even of any employer. Unemployed job applicants, for example, are protected. If we stop thinking of §7 rights as solely a means toward a narrow end of organizing for an election or bargaining a contract after winning a majority vote, unions might consider making greater use of minority representation status. The IBEW in Texas has been quite successful in referring unemployed workers to jobs at various work-sites where, after their overt “salting” (thus no *Town and Country Electric, Inc.* definition of “employee” issue), they have successfully organized on the

inside, protesting the nonunion wage rates, often getting themselves fired but then litigating for backpay and ultimately winning exclusive representative status for the union.

But direct action is not enough. We can't afford to ignore the need for meaningful labor law or workers rights reform, a kind of reform that takes into account the *changing nature of the employer-employee relationship* that these speakers have addressed. This must include the following:

1. We have to get away from the employer-based wage and seek instead direct state guarantees and socially-based entitlements, as is so much more prevalent in virtually every other industrialized country. National health insurance would have been a big step in the right direction. Representative Patricia Schroeder and Senator Howard Metzenbaum have introduced bills containing portability of pensions and vacation benefits and guaranteed prorating of part-time benefits. These may not be achieved this year on the federal level, but states are not preempted in establishing minimum labor standards and, thus, should be urged to do the same.

2. We need to legislate forced groupings of employers, such as mechanisms to facilitate multiemployer bargaining, and look for other ways to break down the artificial distinctions between employers: a reevaluation of the definition of joint employer, single employer, and "neutral" employer is required. Much of this could arguably be done under existing law without the need for statutory change.

3. Finally, we need to alter the laws that encourage the problem of fragmentation of the work force—laws that permit double-breasting and antiquated successorship law restrictions. We need to get right-of-first-refusal (preferential rehiring) laws passed, as was done last year in the District of Columbia, governing employees of building service and health care contractors, and on the federal level in Executive Order 12933, covering the building service employees of Service Contract Act contractors.

Ultimately, direct action and labor law reform are vitally connected at both the workplace level and in society at large. Without workplace or social strife, there is no perception that anything needs fixing. But the corollary is also true: with enough militancy even Newt Gingrich can be made to realize that a high price will be exacted for ignoring deep-rooted social problems.



## VIII. INTERNATIONAL WORKPLACE DEMOCRACY: TRANSITIONAL AND STABLE ECONOMIES

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### Russian Labor-Management Relations: Some Preliminary Lessons from Newly Privatized Enterprises

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What are the implications of recent developments in the privatization of Russian firms for labor-management relations? In 1992 Russia embarked on the most extensive privatization program in world history. From November 1992 until July 1994, approximately 15,000 medium and large Russian state-owned enterprises were privatized. These firms had an initial employment base of 14 million workers. In the summer of 1992, the Supreme Soviet signed into law a privatization program which required the privatization of all enterprises in industries that were not defined as having military or strategic or special cultural importance. The details of implementation were designed from June until November 1992.

The privatization program design was decentralized. First, firms had to corporatize; namely, adopt a corporate charter, calculate the book value of their assets, and compute how many shares they had based on an initial nominal value per share. Corporatized firms got a board of directors consisting of the general director (who had two votes), an employee representative, a representative of the local government administration, and a representative of the local office of the federal privatization authorities.

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Second, all employees had to choose one of three options. Option 1 allowed workers to purchase 40% of the shares at various significant discounts and at a preinflation book value of assets, with 60% reserved for auction to additional buyers. Option 2 allowed workers to purchase majority control or 51% of shares at a higher price. And Option 3 allowed a buyout group to takeover the company under certain conditions. Each citizen was given a tradable voucher to purchase 10,000 rubles worth of stock at preinflation prices in voucher auctions. Subsequently, these auctions were held to sell most of the 40% under Option 1 and the 60% under Option 2 which the workers did not initially buy. In general, the typical plan was for the state to hold back 10%-20% which would be sold later to a strategic investor. The reasoning behind this design was to provide incentives to each interest group to participate in privatization without the need to use extensive coercive state authority. Indeed, most of Russia's 88 provinces or oblasts carried out the program by the summer of 1994. The program has been described in detail by several authors (Blasi 1994a, 1994b; Boycko, Shleifer, and Vishny 1993, forthcoming).

### **Initial Findings: Employee Ownership and Employee Board Representation**

Since 1992 interviews have been conducted in a sample of 200 large firms in 44 of the Russian Federation's 88 states to determine national trends in the behavior of the larger enterprises in the program. This national sample has served as the basis for ongoing policy advice to the Russian government. The third and most recent set of interviews were conducted at 61 postprivatized enterprises in 19 oblasts from May 1994 to December 1994. This paper will examine some of the initial data from that survey, which is ongoing. Before turning to that survey, however, a baseline can be established by looking at the results of the interviews at the end of 1993. At that time newly privatized enterprises had completed corporatization, their choice of options, and most of their auctions. Table 1 summarizes the median and average ownership percentages for different groups of new private shareholders.

At the outset of privatization, 91% of the firms were majority employee-owned. As indicated above, at the median, insiders owned 60% of the stock. An initial analysis of the privatization program in 1993 showed that over 60% of the firms chose Option 2 (majority employee ownership) (Boycko, Shleifer, and Vishny 1993). This survey indicated that in most of those firms where workers were originally capable of only buying a minority stake under Option 1, workers became majority owners by purchasing additional shares through voucher auctions and investment tenders and in

TABLE 1  
Distribution of Equity-Holdings in Privatized Enterprises  
in the Russian Federation, December 1993.

	Average	Median
All insiders (employees/management)	65%	60%
Top management only	8.6%	5%
All outsiders (excluding state)	21.5%	20%
State	12.9%	12%

*Note:* Sample: 141 enterprises in 32 oblasts

Employment average: 2776; median: 1200.

% majority-employee-owned: 91%; % minority employee-owned: 9%

*Source:* Russian Privatization Research Project, joint research of Joseph Blasi, Rutgers University, and Andrei Schleifer, Harvard University, 1994.

the over-the-counter market. Thus in general, majority employee ownership was the *initial* outcome of the entire privatization program. According to this first survey, only 9% of firms did not obtain majority employee ownership through these various methods combined.

The senior managers obtained a situation where insiders dominated equity ownership on average at the median and, in fact, in most companies, but senior management control was the norm. They were indeed determined to operate their boards of directors at the end of 1993, according to the maxim that "majority holder elects the entire board." Almost all the boards of directors were comprised of senior managers. A striking finding was that most of the employee representatives—who had been added to the board during corporatization—had now dropped off the board in the period after the completion of privatization. We also noted that trade union power was insignificant in most of the firms: the senior managers reported that formal collective bargaining agreements were not being concluded and that they were setting wage rates. Outside ownership was expected to rise as investors bought into firms.

### **December 1994: Employee Ownership and Board Representation**

By December 1994 the ownership structure of the firms had changed (Table 2) somewhat. Employee ownership had fallen slightly, the number of majority employee-owned firms had fallen significantly, outside ownership had increased, and state ownership had decreased significantly. As Table 3 indicates, rank-and-file employee board representation continued to be almost nonexistent. There was no evidence that the role of the trade unions had improved or changed. Employee passivity continued to be the norm, and there was widespread evidence of managers holding back

salaries for months. Managers claimed they had no funds, but state committees disagreed.

According to Table 3, 76% of firms have some outsider (nonstate) board representation. One might expect that the openness of management to outside board representatives might also indicate an openness to

TABLE 2  
The Structure of Ownership in Privatized Enterprises in  
the Russian Federation, December 1994.

General Ownership Structure	Average	Median
All employees	59%	58%
All outsiders	29%	30%
State	10%	0%
The Structure of Insider Ownership	Average	Median
Nonmgmt. employees	42%	43%
All managers	17%	15%
Of that:		
Top managers	9%	6%
General director	3%	1%
Middle managers*	8%	NA

\* Estimated from data shown. Median cannot be estimated.

*Note:* Sample: 61 enterprises, 19 oblasts, average employees: 2360, median employees: 1321. Firms majority employee-owned: about one-third (a drop from 91% in the 1993 sample)

*Source:* Russian Privatization Research Project, joint research of Joseph Blasi, Rutgers University, Andrei Schleifer, Harvard University, 1994.

TABLE 3  
Board Membership in Postprivatized Enterprises  
in Russia, December 1994

Board Representation:	Average	Median
Total # of board members	6.7	6
# of managers	3	4
# of nonmanagement employee representatives	—	—
# of nonstate outsiders	.2	0
# of state representatives	1.2	1
	1	1

*Note:* Sample: 61 enterprises, 19 oblasts, average employees: 2360, median employees: 1321. Firms with outsider board members: 76%; firms with no outsider board members: 24%.

*Source:* Russian Privatization Research Project, joint research of Joseph Blasi, Rutgers University, Andrei Schleifer, Harvard University, 1994.

employee representatives. This was not found to be true. The average board membership is 6.7 members, with 6 at the median. The typical board has 1 outsider, 1 state representative, and 4 insiders. *In almost all cases the insiders are the general director and direct reports to the general director.* We became suspicious about earlier reports of employee representatives on boards by the senior managers who are the subjects of the interviews. There were increasing indications that the general directors are quite self-conscious about reporting boards made up entirely of their immediate direct reports and top deputies. As a precaution, the research assistants were instructed to review board members person by person in great detail. They have now observed that managers often attempt to present other top management members who serve on the board as rank-and-file board representatives. The method of interviewing attempts to correct for this misallocation. Nevertheless, it is possible that every attempt to do this has not been identified.

Thus since privatization, the labor-management relationship in these enterprises has changed in two key ways. First, there is still rank-and-file employee ownership. Second, postprivatization saw a clear decline in rank-and-file employee board representation, average rank-and-file employee ownership, and the number of majority employee-owned firms. As Table 4 indicates, the main sellers of shares are employees. It is not possible to foretell with certainty how the sale of employee shares will evolve. Three main trajectories are possible. One could expect constant sale of employee shares until employee ownership is insignificant. One could

TABLE 4  
Sales of Shares from Privatized Enterprises in Russia and  
Their Main Buyers in the Last Year, December 1994

	Average	Median
<i>Sales of Shares:</i>		
Sold by employees	4%	0%
Sold by voucher funds	1%	0%
<i>Main Buyers as a % of All Buyers Mentioned:</i>		
Insiders:	25%	
Top managers		12.5%
Other workers		12.5%
Outsiders:	75%	
Firms and investors		50%
Voucher funds		25%

Source: Russian Privatization Research Project, joint research of Joseph Blasi, Rutgers University, and Andrei Schleifer, Harvard University, 1994.

expect that Russian employee ownership would be similar to U.S. public market employee ownership with 15% of large stock market companies having an average of 12% employee ownership. (See measurements by Blasi and Kruse [1992].) One could expect that some Russian firms would retain majority employee ownership if they can find the capital necessary to develop from profits. This last set of firms might have stable employee ownership because they do not need to dilute their stakes to attract investment capital. But employee shareholder rights are not expected in all scenarios.

### **The Role of Trade Unions**

While employee shareholders have little formal power, their trade union organizations also seem to lack power. These data do not establish definitively whether the employee passivity and lack of power of the trade unions was caused by privatization or was merely a continuation of an earlier phenomenon. The surveys are based on interviews with senior managers. They may be biased in reporting on union-related issues. However, my tentative view is that the reported passivity is indicative of reality and does reflect the lack of autonomy of communist unions. The reasons for this position are as follows: First, senior managers are nearly unanimous in reporting this passivity throughout the country, and it covers several sectors of labor activity such as board activism and collective bargaining. Second, some managers have reported that the combination of falling employment (an average of 20% since 1991) and inflation have made the remaining workers more compliant. Third, there are some preliminary indications that privatization has undercut trade union power because managers have moved to switch the ownership and payment for social benefits such as kindergartens and housing from the firm itself to workers or municipalities. Since some trade union power was drawn from control over the distribution of these assets, this may be attenuating their power. Fourth, communist trade unions were state organizations that were appendages to state-owned firms. They mainly served as social service organizations which helped to distribute social benefits. They were "company unions" in the worst sense of the term. They had little independent power except for the brief period where they were allowed to elect the general director under Gorbachev. (The power to elect the general director is officially invested in the shareholder meeting under current Russian joint stock company laws.)

### **Further Measures of Employee Shareholder Rights**

What do we know about the way employee shareholders exercise their shareholder rights at the shareholder meeting aside from their relationship to

the board of directors? Shareholder meeting behaviors have been measured in detail and provide an excellent window on the employee role as shareholders. Can measures of employee shareholder rights help clarify the situation of labor in these companies? Table 5 summarizes these data.

TABLE 5  
Employee Shareholder Rights, December 1994.

	Average	Median
Employees Present at the Shareholder Meeting	28%	12.5%
Method of Voting Shares at the Meeting		
Public	66%	
Hand-raising in public		35%
Written with names		31%
Secret	34%	
The Use of Special Registrar to Record and Register Sales of Shares		
Yes	58%	
No	42%	
If Trusts or Other Entities Exist to Collect Employee Shares		
In operation now	4%	
None exist	96%	
The Person Who Votes Trust Stock	Senior Manager	
If managers plan to establish a trust	3%	
Managers are thinking of establishing a trust	14%	
The managers that have no plans for trusts	83%	
How Difficult it Would Be to Establish a Trust in the Opinion of Managers		
Very easy	17%	
Very difficult	32%	
Possible with effort	51%	
Proxy Voting by Employees	Average	Median
% of employees that gave proxies		
to others for the last shareholder mtg.	58%	62%
The identity of the representatives which were chosen by employees to cast votes using proxies at the last shareholder meeting:		
A manager	65%	
An employee	15%	
Unclear	20%	
Which manager was given the power to vote the proxies?		
General director	16%	
Other top manager	20%	
Other manager	29%	

Source: Russian Privatization Research Project, joint research of Joseph Blasi, Rutgers University, and Andrei Schleifer, Harvard University, 1994.

A close examination of the details of the shareholder meeting indicates that each and every component reflects tight management control of the process. Management restricts the presence of employee shareholders at the shareholder meetings using the manipulative methods in many companies which are discussed below. Even if employees attend the meetings, they must vote their shares publicly. This works to prevent opposition to management since a subordinate would have to go against a manager publicly on an issue. If employees buy or sell shares, they must register these transactions in an official share register which is held by the general director. This is in violation of a government regulation that requires firms with more than 1000 shareholders to give this function to an independent share registry. Thus employees cannot confidentially buy and sell shares. Management uses employee trusts whose votes they control to short-circuit employee voting rights in some companies. But surprisingly, they do not use this in most companies because it is not necessary. As the table shows, managers have succeeded in controlling the proxy voting process so that employees give proxies to management representatives to take to the shareholder meeting.

Managerial control of shareholder mechanisms seems to be carefully constructed. The average 28% employee attendance (only 12.5% at the median) at the shareholder meeting noted is not simply a result of general employee passivity. It is the result of a careful plan in many firms. Many managers report that they stage-managed the meetings beforehand with the following "messages":

- Top managers spread the word that it will be inconvenient to find a room big enough for all employees and shareholders.
- Top managers instruct middle managers to organize "bush meetings" in their departments throughout the plant to "prediscuss" issues at the shareholder meeting, elect delegates, and sign up proxies.
- Top managers refuse to mail the government-required individual shareholder information to individual employees but make one copy available on a bulletin board or in an office.
- Managers take employee proxies to the meetings and stand up and vote in front of their boss.

Originally, in 1992 many managers spoke about creating employee stock ownership trusts or other entities which would allow them to group and dominate the employee vote. I had predicted that employee trusts would emerge as sure formats of management entrenchment. That was wrong. It is partly to be explained by the failure to legislate such trusts.



Indeed, the general director-dominated employee trust was a central feature—although it was hidden in the small print—of the two most threatening legal challenges against the privatization program by insiders. Both attempts had a chance of succeeding. The first was the failed Option 4 initiative in the winter of 1993. The second was Supreme Soviet Speaker Khasbulatov's failed employee ownership initiative in fall 1993. Both initiatives attempted to *legislate* near total employee ownership as the dominant privatization method with an employee share trust whose voting rights were controlled by managers. (Details are discussed in Blasi 1994b.) The research evidence indicates that employee trusts are not prevalent now. And most directors do not plan to set up trusts themselves.

Why this apparent contradiction between the reality of management domination of employee ownership through informal control of proxies and their choice not to formalize the control through trusts they would set up themselves? (Remember, if legislated, the trusts would have been created at the state initiative, not their own.) Top managers seem to believe that it is one thing to dominate employee shareholding through the subtle and not-so-subtle authority of the employer-employee relationship and the proxy, but it is quite another thing to formally go to each and every employee and compel them to put their shares in a legal trust controlled by the general director. This might provoke a backlash and make the general director a target of accusations of wanton and obvious domination. The control of proxies makes trusts unnecessary.

## Conclusions

There is little evidence that majority worker ownership has resulted in rank-and-file worker control in these companies or any significant employee board representation. There is little evidence of the traditional influence of labor organizations, and there is no evidence that Russian trade unions are making any progress in organizing the extensive employee ownership in order to express employee shareholder rights. This last finding is probably a further indication of the lack of power and authority of labor organizations. For example, U.S. unions such as the Airline Pilots Association, the United Steelworkers of America, and the Teamsters moved to quickly establish board representation and strong shareholder rights when they achieved significant employee ownership in companies where they had members. "Capital strategies" by unions are now a common phenomenon in the U.S. Certainly, many of these firms will restructure and the ownership and governance will continue to change. The major question is what shape the industrial relations system of Russia will take. These findings serve as a preliminary indication.

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# Employee Participation in Transitional Economies: Evidence from Bulgarian Managers

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In the former communist economies both the extent of employee participation and the role that economic democracy might play in the new industrial relations are hotly debated. Some suggest that the typical firm is worker-controlled.<sup>1</sup> Since the dominant conventional wisdom is that worker participation in control has significant adverse economic effects (e.g., Hinds 1990; Frydman et al. 1993), it is a short step to attribute at least some of the usually poor economic performance of the postcommunist societies to the alleged consequences of these new patterns of corporate governance. By contrast, in part because of theoretical and empirical developments which find that democratic firms can sustain high levels of efficiency (e.g., Ben-Ner and Jones forthcoming; Blinder 1990; Bonin, Jones, and Putterman 1993), more favorable assessments of the potential of democratic firms have also appeared (e.g., Ben-Ner 1993). However, the available evidence on these issues is quite limited, often based on case studies or derived from small samples of firms that are not representative.<sup>2</sup>

By using a large new enterprise-level data set, which spans the last year of the communist era as well as early transition and is representative of the underlying population of Bulgarian industrial state-owned enterprises (SOEs), this paper contributes to those debates. We focus on two issues. Our first concern is to develop ways of measuring differences and changes in employee participation (corporate governance) that are appropriate to an environment where formal ownership changes have been slight but where many believe that patterns of corporate control have changed considerably. Second, we examine whether there is any logic to the incidence of these patterns of employee participation across firms. We continue, however, by first noting some of the important features of the relevant institutional framework.<sup>3</sup>

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## **Institutional Framework<sup>4</sup>**

In the former communist countries, all SOEs were viewed as operating within a command economy, and managers were the agents of the principals of the Communist party. Another feature of this centrally administered model (usually enshrined in a labor code) was that employees had very little independent influence over decision making, though in principle there were two channels through which this might take place.

The first avenue was through individual membership in trade unions and union-based bodies such as production committees. During the Zhivkov era (i.e., until November 1989), however, in practice the exercise of union "voice" through such machinery was quite limited. Unions had dualistic functions, and union officials saw as their main task to act as a "transmission belt" for the policies formulated by the Communist party. Until 1989 at least, attempts to modify the role of unions by, for example, promoting member involvement in achieving production targets did not produce basic changes in employee participation (Petkov and Thirkell 1988).

However, the sweeping changes that began in Bulgaria in November 1989 have triggered profound changes in labor markets and associated institutional arrangements. Thus following the abandonment of the communist union model, a plural union movement has emerged, and the former official unions have been transformed into new unions that are independent of the state (Jones 1992). In Bulgaria and elsewhere, the unions that have succeeded the official unions have often played important roles in shaping national policy (especially through various tripartite mechanisms) and have also begun to participate at company-level collective bargaining. It is conceivable, therefore, that in the changed situation, the influence of unions and union-based bodies has changed at the enterprise level.

Provisions for a second channel of potential employee influence were contained in the Labor Code of 1986 which introduced firm-level structures for worker participation. However, at least through the years preceding the collapse of the Zhivkov regime, this system of "worker self-management," in practice, provided for quite modest degrees of worker involvement (Jones and Meurs 1991). Moreover, some of the provisions introduced in 1988 as part of Decree 56 contradicted elements of the labor code and reduced the degree of formal worker participation in management.

These formal arrangements essentially continued in place during the balance of the period under study—i.e., through the end of 1992. As such and like other features of the transforming system of industrial relations in Bulgaria, the structures for and practices of worker participation contain a

curious mixture of some characteristics of the old system and some completely new departures. While until 1989 it seems unlikely that such structures did not provide for significant *de facto* worker influence at the enterprise level, conceivably after the fall of Zhivkov and in the fundamentally new economic and political context, this might have changed. Indeed, some argue that today the *de facto* situation is such that the typical firm is worker-controlled (e.g., Beleva and Jackman 1993.) Moreover, similar views exist for other economies in transition (e.g., for Russia see Burawoy and Krotov 1992).

### **Patterns of Employee Participation**

To measure the extent of employee influence in corporate governance in our unusual survey of firms<sup>5</sup> and how this has changed during the period from 1989-1992, we asked respondents (top managers) to assess their perceptions of the influence of employees over diverse issues annually during this period. A six-point scale was used, with a "1" representing a situation in which management decides alone (without any employee input); values of "2, 3, and 4" represent situations where management decides, though there was some small input from employees (e.g., by machinery for consultation or provision of information); a "5" represents a situation in which there is joint decision making; and a "6" indicates that workers are believed to decide the issue alone (there is no independent role for management). Our findings are reported in Tables 1 and 2.

Section A of Table 1 indicates that throughout the period there has been a heterogeneous pattern of employee participation. There have always been firms that are perceived as having substantial worker influence (hereafter LMFs—codetermined or labor-managed firms with respondents answering "5" or "6"). Even in 1989 during the latter days of the command economic system (though the labor code formally provided for "workers' self-management"), about one in seven firms was a LMF. By 1992 this had increased to almost one in five. Equally there have always been firms in which managers perceive that employees have no influence (hereafter MCs, managerially controlled firms with respondents answering "1")—about one in five throughout the period. But in most firms there was a modest degree of influence (hereafter WIs, respondents answered "2", "3" or "4")—some form of consultation or information sharing existed in about six in ten firms during 1989-1992.

Table 1, section B, shows that patterns of employee participation were remarkably constant during 1989-1992. In more than 80% of cases, firms ("stayers") did not switch their form of corporate governance during 1989-1992. For those 19.6% of firms that did switch regimes ("movers"), in

TABLE 1  
Employee Participation in Bulgaria 1989-1992

	1992	1989	
<i>Levels of Worker Influence</i>			
Labor managed firm (LMF)	19.9	15.1	
Some worker influence (WI)	60.2	64.8	
Totally managerially controlled (MC)	19.9	20.0	
		<i>Stayers Movers</i>	
<i>Transition</i>			
Always labor managed	11.6	11.6	
LMF→Some WI	2.4	2.4	
LMF→MC	1.3	1.3	
Always some worker influence	54.5	54.5	
WI→LMF	6.4	6.4	
WI→MC	4.3	4.3	
Always managerially controlled	14.3	14.3	
MC→WI	3.6	3.6	
MC→LMF	1.5	1.5	
Total	100.0	80.4	19.6

11.5% of all cases (i.e., for 59% of movers), this was in the direction of an increase in the average degree of perceived participation in decision making by employees. But there are examples of transitions in all possible directions.

Table 2 lists the incidence of different types of corporate governance by key characteristics with section A reporting findings by industrial sector. For the most part the findings mirror those for the whole sample. In all sectors the typical firm was one in which workers had moderate influence. This was the case in both 1989 and in 1992. But in all sectors during 1989 and 1992, in at least one in ten cases decision making was perceived as being substantially influenced if not determined by the wishes of employees. In 1992 the variation in the incidence of "labor management" was not high, with the biggest concentration of such firms in textiles, where a little over one in four firms was judged to be a LMF. Also in 1992, in all sectors there were MCs, usually about one in five firms.

More surprising, perhaps, are the findings on levels of trade unionism (trade union density, TUD = number of union members/labor force) and types of corporate governance. According to Table 2, section B, there are no obvious associations between types of corporate governance and the extent of unionism (union membership/labor force). For 20% of firms classified as LMFs in 1992, for example, trade union density was quite low (less than 40%).

TABLE 2  
Worker Influence and Other Formal Characteristics: 1989-1992

	1992				1989			
	LMF	WI	MC	Row Total (#)	LMF	WI	MC	Row Total (#)
<i>Levels of Worker Influence by Industry: (Row %)</i>								
Food	23.3	53.4	23.3	15.5 ( 73)	22.2	58.3	19.4	15.4 ( 72)
Textiles	27.9	50.8	21.3	13.0 ( 61)	23.3	53.3	23.3	12.8 ( 60)
Wood/Paper	23.1	53.8	23.1	8.3 ( 39)	23.7	68.4	7.9	8.1 ( 38)
Engineering	10.9	69.5	19.5	27.2 (128)	14.2	74.8	11.0	27.1 (127)
Electronics	20.0	62.0	18.0	10.6 ( 50)	12.0	68.0	20.0	10.7 ( 50)
Chemical	23.1	53.8	23.1	5.5 ( 26)	26.9	57.7	15.4	5.6 ( 26)
Nonmetal	27.8	50.0	22.2	3.8 ( 18)	44.4	44.4	11.1	3.8 ( 18)
Mining	26.7	66.7	6.7	3.2 ( 15)	13.3	86.7	0.0	3.2 ( 15)
Other	19.7	63.9	16.4	13.0 ( 61)	22.6	61.3	16.1	13.2 ( 62)
Column Total( #)	20.0 (94)	60.1 (283)	20.0 (94)	100.0 (471)	20.1 (94)	64.7 (303)	15.2 (71)	100.0 (468)
	1992				1989-1992			
	MC	MODERATE	LMF	Row Total (#)	Always MC	Always Moderate	Always LMF	Row Total (#)
<i>Worker Influence and Trade Union Density (Row %)</i>								
Trade union density < 40	21.5	58.5	20.2	26.9 (139)	19.6	65.4	15.0	30.1 (107)
40 < TUD < 80	17.1	64.5	18.4	35.0 (158)	13.8	74.8	11.4	34.0 (123)
80 < TUD	22.2	57.0	20.9	35.0 (158)	20.6	62.7	16.7	35.4 (126)
Column total ( #)	20.2 (91)	60.1 (271)	19.7 (89)	451	18.0 (64)	67.7 (241)	14.3 (51)	356

## The Determinants of Types of Employee Participation

While the rapid growth of various forms of employee participation and employee ownership around the world has been accompanied by much empirical work, in general, the reasons for the differences in employee participation have been examined only incidentally—for example, in studies primarily of the effects of employee participation on economic and industrial relations outcomes (e.g., see the reviews in Blinder 1990). In transitional economies it may be especially important to try to understand the factors that affect the extent of employee influence. Arguably, considerations of “institutional inertia” (e.g., Murrell 1991), mean that there will be a close correspondence between the extent of employee influence that informally exists in firms *before* privatization and the initial extent of worker/manager ownership that is initially adopted *after* the emergence of large-scale privatization.

In considering whether there is any logic to the incidence of particular types of employee participation during the early stages of transition, we hypothesize that several factors, including the prospect of future privatization, potentially have affected decisions by both managers and workers as to which types of corporate governance to permit to flourish. One view is that LMFs are most likely to emerge in firms that are the most inefficient and have the most to fear from restructuring, including the gradual tightening of the effects of changes in the environment—e.g., the effects of demonopolization policy. Workers will exert the most power when it is most important to insure against future layoffs. This “inefficiency” or greater vulnerability argument might be revealed in a number of ways including the degree of overmanning, poor and old quality of capital equipment, enterprise performance, the extent of product market competition, and the level of enterprise debt. However, an alternative view argues that in potentially profitable enterprises well-informed employees might be expected to behave entrepreneurially. Realizing the future profit potential of their enterprise, they do their best to gain control of governance prior to privatization when they would also hope to assume large ownership stakes too. That is, in efficient or well positioned firms, LMFs are as likely to emerge as are MCs.

In these preliminary exercises we test these hypotheses of the potential impact of current enterprise performance and future vulnerability for the choice of corporate governance by including variables for the current profitability of enterprises (two dummy variables for varying levels of profitability: DPERF1 for whether or not gross profitability  $< 0$  and DPERF2 for whether or not net profitability  $> 0$ ), the industrial sector (8 dummy variables), product market concentration (the number of domestic competitors



(COMPET), the extent to which the labor force declined between 1989 and 1991 (DECLF), the size of the firm (measured as the logarithm of the labor force,  $\ln L$ ), form of ownership (dummy variables for state or state-joint stock ownership [DSJS] and independent cooperative ownership [DCOOP]), region (4 dummies), and trade union density (the number of trade union members over the labor force, TUD).

To take advantage of the ordered nature of the discrete choices of the three different forms of corporate governance in 1992 (LMF, moderate worker influence and MC) we estimate an ordered probit model (rather than, for example, multinomial logit models). While the ordered probit coefficients are not easily interpretable, they can be used to compute the estimated effect of a unit change in an explanatory variable on the probability of being in each of the three types of employee participation. However, the sign of an estimated coefficient indicates the direction that the probabilities of being in each of the two "extreme" categories (no participation and substantial worker influence) change when the independent variable increases. More precisely, a positive (negative) coefficient implies that the effect on the probability of a firm being classed as "worker controlled" varies directly (inversely) with the independent variable, while the probability of being classified as "no participation" is the opposite of the direction for worker controlled. Our preliminary evidence on these issues is reported in Table 3.

These show that the extent of the decline in labor force (DECLF) has no significant effect on the type of influence that employees exerted in different firms in 1992. Also, at conventional levels of statistical significance, the kind of corporate governance does not appear to be affected by economic performance as measured by profitability (DPERF1, DPERF2) or by trade union density (TUD).

The positive and statistically significant coefficient on the number of domestic competitors indicates that in more competitive situations there is a greater probability of firms choosing LMFs and a lower probability of firms choosing MCFs. This could be interpreted as providing support for the hypothesis that LMFs are more likely to be adopted in situations that are more vulnerable—i.e., future profitability is more likely to be eroded in situations where markets are less protected.

Concerning the relationship between the form of ownership and the form of governance, the positive and statistically significant coefficient on the dummy for cooperative form of ownership indicates, unsurprisingly, that more democratic forms of decision making are more likely to emerge than in cases in which firms are still state-owned (the omitted ownership case.) Also, the insignificance of the coefficient on DSJS indicates that corporatization of state-owned firms has no implications for the choice of governance.

TABLE 3  
Ordered Probit Coefficient Estimates for Types of Employee Participation

TUD	0.0016 (0.0027)
LnL	-0.1558 (0.112)***
DSJS	-0.1737 (0.259)
COOP	0.735 (0.400)**
COMPET	0.0065 (0.0035)***
DECLF	-0.0011 (0.0020)
DPERF1	0.1498 (0.248)
DPERF2	-0.0271 (0.1735)
Industry dummies	Y
Regional dummies	Y
Constant	Y

Notes: \*\*\* Coefficient significant at 10%

\*\*\*\* Coefficient significant at 15%

The positive coefficient on size (LnL) also supports the hypothesis that LMF-type arrangements are more likely to emerge in smaller firms. However, since the significance level is only 15%, the result must be treated with caution.

Finally, a likelihood ratio test indicates that when considered as sets, neither industry nor regional dummy variables have significant effects on the choice of form of governance. However, sometimes there are individual industries that are significant. Thus our estimates indicate that relative to the omitted case of "other industry," in engineering there is a greater probability of choosing LMF and a lower probability of choosing an MCF regime.

## Conclusions and Implications

By using a large new probabilistic enterprise-level data set, we report preliminary evidence on the nature and determinants of employee participation in an economy in transition. Specifically, we report evidence for large Bulgarian industrial enterprises during the period from 1989-1992, a period when major economic and political changes were underway but formal privatization of large enterprises had barely begun. While for a variety

of reasons our results (especially the multivariate analysis) must be considered as preliminary, our findings are as follows.

On types of corporate governance we find that during the period 1989-1992 employees in the bulk of firms have some, though a modest degree, of influence. As such, it seems that there is little support for the claim that SOEs in Bulgaria (and perhaps more generally in other former communist countries) *typically* are worker-controlled. Equally it is clear that there is substantial variation in types of employee participation (corporate governance). There have been and continue to be firms in which employees are perceived to exercise the greatest influence and firms that are managerially controlled. In most firms, patterns of corporate governance have not changed much during the early stages of transition. For others change is evident, usually in the direction of a slight increase in employee influence. In the main these findings are similar to those based primarily on data for individual employees (rather than managers) and which sometimes use somewhat different measures. (Jones 1995).

The second question we examine is the reason for differences in employee participation across firms. This issue has not been examined much for either transitional or nontransitional economies. For the former communist economies it may be especially important to try to understand the factors that account for variation in the extent of employee influence. The "institutional rigidities" that have been observed to date in patterns of employee participation might mean that after privatization the informal patterns of employee influence will simply be formalized. To examine the determinants of key types of employee participation (corporate governance) across firms, exploratory ordered probit models were estimated. Some support for hypotheses that predict effects based on form of ownership, size, and the extent of competition was found. However, overall our findings do not provide much backing for the view that for individual firms, types of employee participation have systematic economic determinants.<sup>6</sup>

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## Endnotes

<sup>1</sup> For example, for Bulgaria see Beleva and Jackman (1993) and for Russia, see Burawoy and Krotov (1992).

<sup>2</sup> Studies that are mainly case studies include Burawoy and Krotov (1992) and Estrin and Richet (1993). Small sample studies include many undertaken by authors affiliated with the

World Bank, e.g., Commander et al.(1993). One exception for the former communist countries is Jones (1993). In an econometric study of Polish industrial cooperatives, diverse forms of employee ownership are consistently found to have large productivity effects.

<sup>3</sup> For information on the Bulgarian economy during the last years of the former command economy and early transition, see Jones (1991), AECD (1993), World Bank (1990-91), Jones and Rock (1994), Bulgarian National Bank (1994) and Wyzan (1993).

<sup>4</sup> For more extended discussions of these issues see Jones (1992) and I.L.O. (1993).

<sup>5</sup> Our data set is unusual both insofar as it is large and also because it is a probabilistic survey. The data were gathered using several instruments devised by the author in collaboration with Charles Rock and colleagues in Sofia. Information derived from two instruments is mainly used in this study: (1) the Bulgarian Economic Survey (BES), which collected standard economic data (wages, sales etc.); (2) the Bulgarian Managers Survey (BMS), which gathered data from the managers of these firms (e.g., on their perceptions of patterns of enterprise governance). For more details on the data see Jones (1995) and Jones and Ilayperuma (1994).

<sup>6</sup> As such, these results differ from a similar exercise, though one that uses richer data for perceived differences in influence across *individual* employees. See Jones and Ilayperuma (1994).

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## DISCUSSION

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Here we have four very different papers, each drawing on a rich data bank. Blasi's is especially rich, a continuing panel study of the impact of privatization in Russia. Of all of the East European countries, plant-level changes may have been most thoroughly studied in Bulgaria, and Jones has been involved in this project for some time. There has been no lack of Norwegian research, but the data base with which Hammer and her colleagues have been working is unrivaled in its comprehensiveness; there is no equivalent in the U.S. Finally, Turner's ongoing studies of East German factories yield subtle insights that quantitative data alone might have missed.

Perhaps the one thing these studies have in common is that they illustrate the strength of systems. In Norway, management made fundamental changes, but without worker resistance. In Bulgaria there was a new political system, but in most cases management still ran the show. In Russia both political system and ownership were changed, but here, too, management still ran the show. The East German cases illustrate the possibility of transferring an elaborate system of workplace governance, despite major changes in ownership, political system, and nationality.

For advocates of participation these studies are not especially encouraging. Only in Germany did participation make much difference. Perhaps most surprisingly, the highly developed participation system in Norway had little impact: the extent of participation was not related to the program success, and only a few workers were involved. Somehow this leaves me wondering. Is there something missing here? Is the vaunted Norwegian form of participation only window dressing?

The Bulgarian system of participation was not terribly well developed. Apparently, workers had substantial influence in only a few companies, and here they had some effect on wage levels and job security. Although the relationship between Russian management and their workers was apparently unchanged, these managers were freed from ministry and party control. How was this handled? What difference did this make?

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I have a few questions as to methodology. In the Bulgarian case, top managers were asked "their perceptions of the influence of employees over diverse issues." Was this one question or several? Did managers differ as to their perceptions, depending on the issue? By "worker influence" did respondents mean individual workers, unions, or the various representative participation structure provided by law? Apparently, there was a single respondent per enterprise, in each case a top manager. These may well have been biased. Possibly, they deluded themselves that they still retained power or at least were unwilling to admit their loss of power to outside social scientists. Alternatively, in some contexts participation is viewed as socially desirable—something a good manager should practice. In these circumstances managers may exaggerate the extent of worker influence.

In a companion paper to the one presented here, Jones reports on employee responses. There are some substantial differences in perception between employees in this second study and managers in the first. Further, workers' perceptions seemed to differ considerably among themselves. And these differences seem to be correlated more closely with demographic variables such as age and education than with plant organizational variables. The Norwegian study asked questions of both management and labor. Here, too, there were considerable differences in perception. The correlations between managers and worker representatives average .3, not very high.

In short, the answer to the question—a rather fuzzy question—"how much influence do you have?" depends on both what's in the real world and what's in the respondent's mind. What kind of impression is the respondent trying to make? What is the respondent's point of comparison?

All this is to stress the limitations of survey questionnaires, especially those administered at one organizational level. Studies based on survey findings alone leave out much that is interesting. Multiple case studies such as Turner's illustrate dynamics and subtleties which surveys often miss. But case studies have weaknesses of their own. A combination of methods is often best.

## IX. CREATING HIGH-PERFORMANCE WORKPLACES

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### Applying Lessons from the German Apprenticeship System in Austin, Texas

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The German apprenticeship system has attracted the attention of American policy makers because it has demonstrated the ability to produce high skills in a majority of German youth while conferring recognition and status to a wide array of occupations not requiring university training. Fully two-thirds of all young people completing secondary education in Germany enter apprenticeships. About 90% of them will complete training, pass their comprehensive examinations, and obtain credentials. High proportions of German firms offer apprenticeships, and the ratio of youth to adult unemployment in Germany is among the lowest of any nation in the world. Apprentices must find their own training slots, with information and counseling assistance provided through occupational information centers (*Berufsinformationszentrum*) operated by the public employment service (*Arbeitsamt*). Training is offered in about 375 apprenticeable occupations under standards agreed to nationally by industry. These standards outline the scope and duration of training, the duties and tasks of the occupation, and provide a curriculum outline and a common framework for the assessment of skills in examinations.

Officially entitled the Dual System, German apprenticeship derives its name from the fact that training is provided in two locations—in firms that provide practical instruction and in vocational schools (*Berufsschulen*)

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which offer related theoretical instruction. Apprentices usually spend one or two days in the vocational school and the remainder of the week with their firms. A portion of the time with the firm may be spent in interfirm workshops. These special industry facilities, most of which were built with federal subsidies, are operated by the German Chambers. Instruction at the interfirm training centers is especially helpful for smaller firms that are unable to offer the full range of the required training in a given occupation at the worksite.

Many Americans have made study trips to examine European approaches to occupational training for youth. Several of these trips have produced thoughtful reports, and a growing body of competent publications is available in English regarding the German dual system (e.g., Munch 1994; Partee 1991; and Hamilton 1990).

In its community partnership to implement a school-to-work system, Austin, Texas, is moving beyond the study trips and reports to incorporate lessons from Europe by developing more continuous and meaningful contact with our European partners through establishing training exchanges and making direct use of the training expertise and advice of experienced European training officials. We also have invited European professionals to advise us and to work with us in developing the system. In spring 1995, a Swiss apprenticeship expert who works with Zurich banks will move to Austin to work with us.

### **Gleaning Lessons from Abroad**

At the outset, I should point out Austin does *not* aim to replicate the German education and training system. Clearly the United States cannot adopt the German approach wholesale, nor should it want to. Germany's education and training system is embedded in a set of cultural practices that will not transfer well to American soil. In perhaps the most widely cited example, Germany uses a three-track system in lower secondary schools that most Americans find unacceptable because it forces youths to make a choice about their future even before they become teenagers. Rather than trying to replicate the German system, a better approach is to identify essentials that underlie the German approach and to find appropriate ways to adapt them to practices in the United States.

One of the key principles on which Austin reached early agreement was to learn from the experience of others. The Mayor's Task Force on Apprenticeships and Career Pathway Programs for Austin Youth especially recommended making good use of Austin's sister city relationship with Koblenz. Biannually since 1989, Austin has sent a delegation of elected officials, educators, and representatives from industry and the community to Koblenz,

Germany. These one-week visits have often included a stop at the facilities of the Chamber of Small and Medium-Sized Firms and Crafts (*Handwerkskammer-Koblenz*). The 1994 delegation of 33 persons—the largest sent to date—focused its tour on the dual system, visiting schools, training facilities, and firms.

A primary focus of our sister city relationship has been on creating youth exchanges. Several educational exchanges have blossomed between schools in the two cities, ranging from a double-degree program between the Graduate School of Business at the University of Texas at Austin and the School of Corporate Management in Koblenz to visits between primary school students and educators at the Schenkendorf Primary School in Koblenz and Austin's Summitt Elementary School, as well as increasing electronic connections through the Internet. Presently we are building on the sister city relationship between Austin and Koblenz to offer German apprenticeships for Austin teenagers in collaboration with the Chamber of Small and Medium-Sized Firms and Crafts (*Handwerkskammer-Koblenz*).

In addition, with funding from the German Marshall Fund of the United States through the Center for Learning and Competitiveness, the Greater Austin Chamber of Commerce sponsored a Comparative Learning Team sent to Switzerland, Germany, and Denmark to examine governance and finance of apprenticeship. The team found most impressive the large scale of European apprenticeship, its systemic approach, and the responsibility that industry widely assumes jointly with schools for the professional development of youth (Center for Learning and Competitiveness 1994). European planners start by calculating need and assemble resources to meet that need; in contrast, Americans typically begin by examining available resources and calculate how many can be served with these limited resources. Whereas Europeans develop systems to serve all people, Americans design limited programs to serve special populations whose needs were used to justify the expenditure of public funds in the first place. Americans attempt to conserve public funds by reserving eligibility for services only to "deserving" individuals who can demonstrate the need for them. As a result, American programs often are stigmatized and balkanized into numerous, inflexible, overlapping, duplicative, narrow efforts for separate populations, which have uneven coverage and inadequate overall resources available and serve neither the needs of trainees nor employers very well.

In another effort to understand essentials, we have asked our German colleagues to identify the key components of their system for us. The results have been thoughtful and challenging. Karl-Jürgen Wilbert, Executive Director of the Koblenz Chamber of Small and Medium-Sized Firms and Crafts, emphasized that the provision of knowledge and skills is linked

to required job experience; the vocational training is proximate to the worksite; the on-the-job training is provided with state-of-the-art equipment and under real life conditions; access to the dual system of vocational training is open to all; upon completion of the vocational training, the young person is a certified skilled worker and can enter the workforce immediately; and the contents and requirements of the training are geared to subsequent vocational mobility and a willingness to undergo further training (Wilbert 1993). Wilfried Prewo, Executive Director of the Hanover Chamber of Industry and Commerce, emphasized three themes in his response:

First, you must have a private-public partnership with clear-cut responsibilities: the training companies must be in the driver's seat and be willing to lead. The government should have its hands off the steering wheel; it should pave the way by setting national standards and grease the wheels with tax credits and, on the state and local level, provide vocational schools. Chambers of commerce or other forms of private-industry councils should act as catalysts, organizing the joint effort of companies and mediating between the private and public sector. Second, the system must be work-based: in the mix of school-based and work-based learning, two-thirds of the apprentices' time should be spent in the workplace. Lacking workplaces, you must simulate them perfectly. Trainees must be treated as employees, not students. Third, you must build a system: aim for a system and not for just another program. And bring it up to scale fast with a highly generous tax credit for companies that start training (Prewo 1994:18).

### **Origin and Purpose of Austin's School-to-Work System**

Austin's efforts to improve school-to-work opportunities trace back to 1991 with various waves of activities, beginning with pilot programs undertaken by the Greater Austin Chamber of Commerce through its School-to-Work Transition Committee. In May 1992, the Austin Project, initiated by Walt and Elspeth Rostow, was launched to mobilize the Austin community to eliminate poverty through strategies of investing in families and youth. Developing paths into work and professional life is an essential component of the project's ambitious effort to invest in youth on a continuous basis from the prenatal period through the entrance into work at a scale that meets the needs, emphasizes prevention, and engages the participation of the neighborhoods involved.

Greater impetus for learning from our German partners came in a third wave of initiatives stemming from the efforts of Austin Mayor Bruce Todd in

March 1993. Todd had just returned from an exchange visit to Koblenz, where he reviewed the work-force development system, especially its initial training system for youth found in the dual system. What he observed impressed him deeply, and he resolved to use his influence to establish an Austin equivalent to the German apprenticeship system. Todd made improving school-to-work transition one of his three priority goals for the new city council beginning in June 1993, and he called on the Greater Austin Chamber of Commerce to work together with the city to implement a system of school-to-work opportunities in Austin. In collaboration with chamber officials, he convened the Mayor's Task Force on Apprenticeships and Career Pathways for Austin Youth, chaired by Sharon Knotts Green of Motorola.

Over the following year, the task force interviewed students and business leaders and investigated practices in other localities across America and in other nations in order to gain a better understanding of the issues. Both the executive director and the deputy director of *Handwerkskammer-Koblenz* made visits to Austin to observe representative programs and companies, to review existing school-to-work pilot activities, and to offer advice. By the time the new city council was in place, the task force had produced an interim report which outlined agreement on a dozen principles and raised several questions for subsequent study. The mayor and the city council responded by allocating \$200,000 in seed monies under the Opportunities for Youth Program in the 1993-94 city budget.

By spring 1994, the task force, working closely with the Greater Austin Chamber of Commerce, reached consensus to form a new industry-led, self-governing, nonprofit corporation entitled the Capital Area Training Foundation (Mayor's Task Force on Apprenticeships and Career Pathway Programs for Austin Youth 1994). The mission of the Capital Area Training Foundation is to promote regional workforce development and to guide and support the establishment of a school-to-work opportunities system across the capital area. To foster industry-level collaboration, the training foundation has affiliated steering committees organized in each of Austin's major industry sectors. Small amounts of monies are made available to the steering committees to help them to put their ideas into action.

The city of Austin has important roles in this endeavor. The Austin City Council provided the initial seed money to begin the Capital Area Training Foundation as an independent entity. Secondly, the city has a voting representative on the board of directors to help ensure that public interests are served. Thirdly, as an entity with ten thousand employees of its own, the city of Austin is an important participating employer itself. Finally, the mayor has convened several of the industry groups. We have been pragmatic and opportunistic about organizing the steering committees, recognizing that there is

no "one best way." Generally, industry steering committees have been organized through the chief executive officers or local managers whose support is vital to success. Steering committees are composed of small executive-level groups concerned primarily with strategic issues. Depending on the needs and preferences of the industry, various subcommittees and temporary special purpose task forces have been formed to accomplish specific tasks.

The design of the Capital Area Training Foundation and the region's school-to-work system have several unique features and advantages. By establishing a self-governing, industry-led institution concerned with the preparation of entry-level workers, the foundation aims to mobilize industry to become an active partner with schools in the formation of future employees. After all, those who know most about an industry's needs—representatives of the firms and workers themselves—are in the best position to make decisions regarding initial preparation of the industry's work force. The training foundation and its steering committees offer considerable advantages over traditional approaches to involving industry in vocational education, especially voluntary advisory committees.

Most of all, this initiative eventually aims to improve the preparation of a majority of Austin's youth by engaging them in learning, connecting learning in school with applications in the real world, and providing incentives to motivate students who are weary of conventional approaches to instruction—through communicating more clearly what is required for success in the modern workplace; building hope for youth who see no attractive futures for themselves; and making these hopes real by creating clear, direct, and immediate paths into work and further learning.

### **Global Learning through International Training Exchanges**

As an integral part of its school-to-work initiative, Austin is developing international training exchanges for its youth. The idea for Austin's initiative in this arena began with a generous and ingenious offer made in June 1994 by Karl-Jürgen Wilbert, Executive Director of *Handwerkskammer-Koblenz*, to place Austin youth into regular German apprenticeships preparing to work in occupations of their choice. The Austin youths will serve in accelerated apprenticeships lasting from two to two-and-a-half years. They will be employed by German employers as regular apprentices and take related instruction in schools and interfirm workshops with German apprentices. They will take the regular final comprehensive examinations, and those who pass will receive full German credentials.

In August 1994, the Mayor's Task Force on Apprenticeships and Career Pathway Programs for Youth began recruiting interested high school graduates who were no older than 20 years of age. Applicants and their parents

were interviewed by a screening panel of representatives from the Austin business community, the school district, and the Austin-Koblenz sister cities program. The initial group of Austin youths selected began their apprenticeships in January 1995 in a variety of occupations, including machine builder, steel fabricator, electrical installer, automobile mechanic, automobile electrical technician, baker, cabinet maker, and carpenter. Special arrangements for language training and any other needed tutoring will be made by the *Handwerkskammer-Koblenz*. A monthly fee of 100 DM per apprentice for administering and monitoring training contracts, normally paid by German employers sponsoring apprentices, will be funded by Austin.

Arranging for living accommodations has presented a more significant challenge than placing the youths as apprentices with German employers. If the costs of room and board are paid in cash rather than contributed, the expenses may run as high as \$7,000 per year per apprentice. The cost of housing and food are above most apprentice-training stipends. Indeed, this is why most German apprentices live with their parents or relatives.

What benefits does such an apprentice exchange offer Austin? First, it provides Austin teenagers access to serious occupational training as well as all the benefits of studying internationally. Second, it offers rich opportunities for comparative learning. The program provides Austin with a direct window to view the day-to-day operations of the German dual system through the eyes of our youth. We plan to organize a campaign to raise funds and contributed frequent flyer mileage to bring back our apprentices once a year during their holiday periods or summer break. In return for these airline tickets, the apprentices have agreed to make presentations about their experiences in Koblenz and the training they are receiving. Third, this unusual high-profile initiative provides opportunities to educate Austin employers, parents, students, teachers, the media, and the general public about the approach that the Germans take to professional formation of their youth. We are organizing teams of Austin employers in each of the chosen trades to review and monitor the training to help ensure its relevance to the Austin labor market so that the youths will have job opportunities in their fields on their return to Austin. This arrangement offers important side benefits in getting Austin employers acquainted with the German approach to the professional formation of youth. Fourth, it strengthens motivation for language learning. Youths who never performed well in school in English courses are now excelling in foreign language training, and we have found new allies for our school-to-work endeavors among Austin's foreign language teachers. Finally, our global learning initiatives will raise the status of our new vocational-technical training and help distinguish it from traditional efforts.

## **Conclusion: Implementing German Apprenticeship with a Texas Accent**

American schools will require significant improvements to keep up with the challenges of global competition, but we must not wait for schools to improve before building and strengthening work-based learning. American employers tend to demand that schools perform before they will hire youth. This approach contrasts markedly with employer attitudes in other nations where the professional development of youth is viewed as a joint responsibility. As much as schools need to improve, American firms likewise need to adopt high-performance practices to keep up with the demands of international competition. The move to high performance necessarily involves an increased focus on learning and training generally. In short, American learning systems at school and at work need to be improved simultaneously and meaningfully linked.

Building a meaningful school-to-work system is a long-term endeavor, for it implies significant changes both in school instructional practices and in hiring and training practices of youth. It is also an incremental process. We should not tackle more than we can accomplish well; maintaining quality and making continuous improvements are key considerations. We need to work at it, being alert to new opportunities and points of leverage for extending and improving structured work-based learning. In this process no single model can be imposed on all industries and all youths. A better strategy is to offer industry a menu of options for providing structured work-based learning to students and educators in various forms. Options include short-term projects devised collaboratively by industry professionals, teachers, and students that emphasize group learning processes, interdisciplinary learning, and the application of academic knowledge acquired in school. Other useful options include learning-rich summer jobs and other work-based learning, community service learning opportunities, as well as designs and devices to integrate school and work that have not yet even been invented. Career academies, school-based enterprises, and tech prep programs can provide platforms to connect schools with industry and to develop pathways into careers. Most of all, as the Germans have shown us, we need to develop training options for youth that bring them to full qualification to work in an industry.

Austin wants to install the essentials of the German apprenticeship system without its rigidities. We will emphasize (1) work-based learning and its integration with school-based learning, (2) acceptance by industry and schools of *joint* responsibility for the professional development of youth, (3) providing teenagers with access to serious occupational training, and (4)

continuous funding for the system from local sources based on the key principle underlying the financing of German chambers; namely, use the authority of government to raise the funds but maintain decisions in private hands.

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# Experienced Workers and High-Performance Work Organization: A Case Study of Two Automobile Assembly Plants

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Through much of the last decade workers and firms in the U.S. have experienced the sometimes wrenching trauma of integrating into the global economy. Amidst these far-reaching transformations, a central challenge has been to define the route to a high-skill, high-wage economy (Krugman 1994; Mishel and Voos 1992; Reich 1991). Much debate has centered on the comparative advantage of U.S. manufacturing, in general, and the qualifications of U.S. workers, in particular, with a focus on new ways of organizing work (Brown, Reich and Stern 1993; Marshall and Tucker 1992).

This paper looks at two examples of what are often referred to as high-performance workplaces (HPWs) in the auto industry: the Saturn complex on the outskirts of Nashville, Tennessee, and the Chrysler Jefferson North plant on the east side of Detroit. Although the plants are new, both rely on older, experienced workers in a unionized setting. The average age of the Saturn workers—all recruited from GM plants—was 40, while the average age of the initial Chrysler workers—veterans of a now demolished plant on the same site—was 54. As a result, the plants faced the combined challenge of a start-up operation and retraining a highly seasoned workforce.

While on the surface these plants employ aspects of “lean production,” industrial practices inspired by Japanese manufacturing firms, their actual operation departs from the lean production model (Womack, Jones, and Ross 1990; Parker and Slaughter 1988). For one thing, almost all Japanese-owned auto plants built in the U.S. in the 1980s—often referred to as “transplants”—sought a young, nonunion workforce without previous auto industry experience. For another, even a unionized transplant such as New

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United Motor Manufacturing, Inc. (NUMMI) in Fremont, California, relies on tighter supervision and control such as "great discipline in the definition and implementation of detailed work procedures" (Adler and Cole 1993:85).

The study probes a number of questions of central relevance to the transformation of U.S. manufacturing: What new approaches to organizing work effectively utilize the talents of an experienced workforce? What are the conflicts inherent in new ways of organizing work? What is the role of the union? How do workers feel about these workplace innovations? Our preliminary findings pointed to three interrelated themes that contributed to the plants' success:

1. Experienced workers. High levels of existing skill and experience proved instrumental in debugging a new product and complex production process. The notion that older workers are a barrier to change proved more stereotypical than accurate.

2. Autonomy. The ability for workers to participate effectively on the shopfloor was aided by increased worker autonomy compared to conventional or lean production plants. Neither Chrysler nor Saturn have traditional first line supervisors and both have elected team leaders.

3. Unionized status. The effective exercise of autonomy was strongly dependent on the presence of a union, although the model was different in both settings. At Saturn the union was integrated into the operation of the plant, at Chrysler a more traditional union followed a participative route.

Two additional themes are worth pointing out. First, job security is pivotal to the changes taking place. At Saturn it is explicitly guaranteed in all but extreme circumstances; at Chrysler it is implied by a hot-selling and highly profitable vehicle. Second, a more participative approach does not mean the absence of conflict. At Saturn considerable conflict exists over future directions, and at both plants tensions are apparent over the demanding nature of auto assembly work. Moreover, the experience of these two plants underscores the flaws in using a checklist approach to evaluating new forms of work organization. While the presence or absence of new organizational forms such as teams may be important, the ways in which the teams actually function and a production system operates in practice is central to evaluating the content of new approaches to organizing work.

## **Background**

A team of three to four researchers visited each site twice: for two days in May and seven to nine days in July and September 1994. We had excellent access in both plants and spent much of our time talking to shopfloor

managers, union representatives, and workers, as well as attending production meetings and observing operations on the shopfloor. At Saturn we spent two and a half days working on the line in the body shop and final assembly, talking to people during breaks, attending team meetings and, not incidentally, welding center pillars. We formally interviewed about 60 workers in each plant for about 45 minutes each.

The sprawling Saturn complex, a \$3.5 billion investment producing engines, transmissions, plastic parts, steel stampings, and assembling the final vehicle, began producing cars in mid-1990. Despite its decidedly rural location, thirty miles south of Nashville, all the 6,000 or so United Automobile Worker (UAW) members are GM veterans, many from urban plants in the North. The plant hired its first several thousand workers after an extensive selection process from a pool of all GM workers; since late 1990 Saturn has recruited from a narrower pool of laid-off GM workers and, for a period, GM workers whose plants had permanently closed. About 27% are African American or Latino and 22% are women. The plant was scheduled to build about 300,000 cars in 1994.

The Chrysler Jefferson North Plant anchors Detroit's shattered east side, where commercial and industrial activity virtually has ceased to exist. Chrysler built the plant on the site of the 80-year-old Jefferson plant which closed in 1990. To ensure the new plant was built in Detroit, the union accepted a Modern Operating Agreement (MOA) emphasizing managerial flexibility and employee input. The new plant opened in 1992, staffed by workers from the old plant who had an average age of 54 and 26 years seniority. Since many of these workers are now approaching retirement—85% will have 30 years of service by 1996—the plant has a workforce in transition: a highly experienced group of workers as well as new hires with no auto experience at all. In May 1994, over 70% of production workers were minorities, mostly African American, and about 8% were women. The plant expects to build about 270,000 Jeep Grand Cherokees in 1994.

At the time of the study the two plants faced different prospects. Saturn was under considerable pressure both from General Motors and the International UAW. GM, experiencing severe financial problems with its North American operations, was pressing hard to increase profits and seeking to integrate Saturn into its other small car operations, a perspective Saturn partisans felt threatened the unique character of the enterprise. The International UAW felt that in its present form, Saturn came dangerously close to enterprise unionism. Moreover, critics both in the international and in the local were seeking to renegotiate the Saturn contract both for Saturn's sake and to avoid undermining the national agreement. In

contrast, Jefferson was a source of considerable revenue for Chrysler on a high-profit, hot-selling product.

The quality at both plants is high. Saturn scored fifth on J.D. Power and Associates Initial Quality Survey for new cars in mid-1994; by a different measure—"conditions" per vehicle—Chrysler approaches the segment leader in sport utility vehicles, the Toyota 4-runner, according to the Jefferson North quality manager. The productivity issue is more complex for Saturn. By some measures it takes 27 hours to assemble a Saturn compared to 20 or so hours for a Honda Civic, a major gap in the hotly competitive small car segment. Important elements of this difference, however, reflect factors beyond the plant's control rather than the efficiency of the production process itself. Saturn, for example, has an unusually complex design—plastic panels on a steel "space-frame"—which adds about 4 hours to assembly time, yet provides an important competitive advantage. Productivity on the Jeep Grand Cherokee is considered good for its segment.

### **The Structure of Work**

Saturn has arguably the most extensive worker and union involvement in production decisions of any major firm in the U.S. in what both the company and union refer to as "the partnership." Three principal channels exist for this input: the joint partnership arrangement itself, a work training center that includes the participation of workers in the design process, and the teams on the shopfloor.

As part of the partnership at Saturn, the union sits on the Strategic Action Council (SAC), where long-range decisions are made, as well as on the Manufacturing Action Council (MAC), where more immediate production questions are decided. Beyond this participation, most line managers as well as many support staff—a total of close to 400 people—are paired with a union counterpart. The exact division of duties varies according to area and the individuals involved, but in all the cases we observed, it was rare for either person to make a major decision without the input of their counterpart. The union-appointed rep, often an elected union official in a previous plant, generally sought to include input from the shopfloor in manufacturing decisions. Moreover, union-appointed reps are present at virtually all planning and operational meetings throughout the plant. Some people we spoke with complained about seemingly endless rounds of meetings, and the emphasis on consensus at Saturn clearly slows decision making. The benefit of the process, however, is stronger and more informed support for decisions once they are made, thus speeding implementation.

The second major avenue for worker input is the Work Development Center, a facility adjacent to the plant which concentrates on improving the production process through training and worker involvement. Consider door assembly. Saturn has two hourly workers from this area permanently stationed at its engineering center in Michigan to provide continuing input on future model changes. While we were at the plant, 30 workers—termed “future model champions”—from all the teams in the door area spent two days in Michigan designing the process for building the 1996 doors, a major design change. Finally, 45 minutes of overtime had been authorized for all 300 or so people in the door area to provide input at the center on changes to the assembly process. This input is based on extensive production experience as well as ongoing training. All Saturn workers devote about 5% of their annual hours or 92 hours to training.

At Chrysler the formal organizational structure is more conventional. The major difference with a traditional plant is that the union is included in key meetings and informed, before the fact, about production decisions. “We kind of lead, they kind of follow,” according to the plant manager, “but at least they are open-minded about it.” Moreover, union representatives participate on a number of advanced planning committees for future models. The Chrysler model is also built on extensive initial training, although far less on-going training than Saturn.

### **Integrating Skill and Experience on the Shopfloor**

Both Saturn and Chrysler organize production into work teams with few classifications and a number of other important similarities. Underlying team performance is a strong quality ethos among the workers, many of whom have experienced some of the worst economic ravages in the auto industry’s history. The teams at Saturn include from 12 to 15 workers; at Jefferson they are somewhat larger with 20 to 25 members. The elected team leader serves a three-year term at Saturn and a one-year term at Chrysler and is recallable when necessary. Elections define the relationship with team members in a much different way than if the position were appointed, as it is at almost all the transplants. “If a guy becomes too aggressive, too strong, getting the people to follow the rules too tight, [the team] can vote him out on the next Wednesday’s meeting and he’s gone,” according to the assembly center manager at Jefferson North. The body center manager added, however, that “I couldn’t handpick my team coordinators better than the hourly people did.” Teams at both plants also carry out many managerial functions such as overtime equalization.

Saturn has eliminated the position of first line supervisor and Chrysler is moving in that direction, unlike the transplants which place a heavy

emphasis on the role of the first line supervisor. At Saturn, for example, the first level of management is the operations module advisor, where a manager and a UAW-appointed counterpart are responsible for about 150 people. At Chrysler the first level of supervision is an area coordinator, comparable to a general foreman in a conventional plant (Jefferson retains "facilitators" who have some of the duties of a foreman but without disciplinary powers). The elimination of first line supervisors is popular both at Saturn and Jefferson North. "Workers are able to work with more freedom," according to the shop chairman at Jefferson. "In the old plant you'd have supervisors constantly standing over you watching you every second." Instead of going to a foreman, a worker at Chrysler maintained "we can talk to a person within our group—our team coordinator—it makes a big difference." As a result, many functions are pushed down to the team or team leader because an intermediate authority such as a first line supervisor does not exist. In contrast, Nissan has a supervisor for about every 20 workers, and NUMMI has one for every 18 (Rubinstein, Bennett, Kochan 1993).

Beyond these similarities, important differences exist between Saturn and Chrysler. While both plants push decision making closer to the shopfloor, the Saturn teams are more autonomous and have greater responsibilities in areas such as budgeting; the Chrysler teams operate more informally with a greater emphasis on personal interactions than formal problem solving. At Saturn the team itself works through many problems as a group, effectively utilizing a weekly 47-minute team meeting (a practice temporarily discontinued recently to increase production). At Chrysler there is a 15-minute weekly team meeting and more decision-making responsibility tends to fall to the team leader rather than the team itself.

At Chrysler much of the success of the plant is related to a good company-union relation and the value of an experienced workforce, rather than the formal functioning of the teams themselves. "The relationship we have here is very, very positive and very open," according to the plant manager. Plant-level union leaders echoed that assessment. The skill and experience of the workforce proved pivotal in launching the new model, a complex vehicle that Chrysler had a lot riding on. "I know it tremendously impacted the plant when we launched," according to the assembly center manager. "There's a lot of tweaking you do in any car plant, and if you don't know the tricks of the trade, the short cuts, it makes life very tough."

The length of the team meeting is itself a limit on much activity beyond sharing information and announcements. "Fifteen minutes doesn't give them a lot of time to problem solve," according to the body center manager. He maintains, however, that "their interactions through the day is

really what's positive, the on-floor time." The teams build on the cooperation of informal work groups, in some cases soliciting considerable informal input. In many other cases, however, the input is clearly more limited among older workers, particularly those nearing retirement. Many of these workers are committed to doing a good job but not anxious to participate in formal problem solving or team activities. As a result, a wider range in the effectiveness of teams exists than at Saturn.

Other important differences exist between the teams' operations. At Saturn extensive rotation among jobs takes place, and the teams themselves decide the pattern. At Chrysler little formal rotation takes place, and seniority generally determines job assignment. In addition, skilled trades workers at Saturn have their own teams, having opted out of the production teams, while at Chrysler, skilled trades do not participate in teams at all.

The high level of skill and experience in both plants leads to much less reliance on formal, programmed work sheets, which some observers have argued is at the heart of the lean production model. Instead, workers are given more latitude to make informed judgments based on their experience, preferences, and an understanding of basic procedures that must be adhered to. In some ways, the pattern may be more similar to what Japanese firms do in Japan than in their U.S. plants. *Automotive News* observed that the Toyota Georgetown, Kentucky, plant relied "heavily on written, standardized work procedures that told new workers how to do each function and inspect for quality" (1994:19). Fujio Cho, former chief executive officer of Toyota's U.S. operations, maintains that this formal standardization does not exist in Japan. Instead, *Automotive News* summarizes his views by stating that "work procedures in Japan are taught by experienced workers who have done the same job for years" (Ibid.).

### **Conflict and Worker Response**

Much of the literature concerning high-performance workplaces presents an idyllic picture of new ways of organizing work which glosses over the fact that auto assembly plants are tough, demanding places to work under almost any circumstances. All the tensions of building cars—repetition, bad parts, favoritism, boredom, and the work pace itself—still come to the surface no matter how work is organized. Moreover, a strong emphasis on "continuous improvement" tends to exacerbate these tensions. These two plants are no exception.

At Saturn considerable friction exists between the international UAW and the leadership of the local union, which, in turn, is challenged by a strong opposition group within the local. Although the in-plant opposition

stresses more traditional seniority and grievance procedures, their overall goal does not appear to be to structure Saturn as a conventional car plant. Some deeply divisive issues such as Saturn's 10-hour, 4-day-week shift rotation or absenteeism policy are not directly linked to Saturn's overall labor agreement or approach. One key issue, however, is directly related to the plant's organizational structure: whether or not to have a more independent, traditional grievance structure. Under the current system, when a worker has a problem, he or she is supposed to take it to the team for resolution. If this doesn't work, the next step is the first level of union-management partners. Only in the very last resort is a grievance written. Opponents argue that either elected rather than appointed union "partners" or a traditional grievance structure or both are necessary to ensure fairness, particularly as production pressures increase.

The debate over representation raises another key issue for Saturn. The relation of the union and the company is so intertwined that many workers begin to perceive the union partners as simply one more face of management. Union and management partners admit to many strong confrontations, but these inevitably take place privately as differing perspectives are worked out. As a result, even one strong supporter of the partnership commented that since he was paying union dues he wanted to see the union fighting for him, something he claimed to rarely actually experience.

At Chrysler the union plays a more traditional role in ensuring that production pressures do not lead to either an excessive work pace or an overly stressed work environment. In particular, on the issue of safety the teams and the union often work together when they feel production pressures conflict with a safe work environment. When we visited the plant, production managers sought to add an element to a job that workers thought was already overloaded. The team analyzed the job and called in both the union and the union-management safety committee. The result was a reevaluation by the company of adding the work to this location. This type of involvement is an important contributor to the plant achieving the lowest incident, workman's compensation, and cumulative trauma rate of any of Chrysler's seven assembly plants, despite the age of the workforce. On cumulative trauma disorders (CTD) Jefferson North had less than one-third the rate of the number seven ranked plant.

To better understand worker attitudes, we interviewed about 60 workers in each plant, a random sample selected from the body shop and final assembly areas that reflected the racial and gender makeup of the two sites. Overall, workers ranked the plants highly. When asked how they would rate working at the plant on a scale of 1 to 5, with 5 the best, Saturn workers ranked their plant 4.3, while Chrysler workers ranked Jefferson



North at 3.9. Asked the same question about the previous plant they worked at, Saturn workers rated their former plant 2.75, while Chrysler workers rated the old Jefferson plant 2.25. Despite the fact that the teams at Saturn had considerably more responsibility than the teams at Jefferson North, 20% of Saturn respondents said that the teams did not have enough responsibility compared to 15% at Chrysler.

## Conclusion

In an increasingly integrated global economy effectively utilizing the skill and experience of a workforce is an important source of comparative advantage. In this study we sought to analyze the ways in which worker skill and experience are effectively included in the production process. At both Chrysler and Saturn, veteran workers were responsible for two complex launches of new vehicles and production processes. At Saturn the workforce combined the experience of many plants and was, at least initially, the product of a tough selection process; at Chrysler an existing workforce faced the rigors of adapting to a new situation. The different approaches of both these plants indicate a greater diversity of alternatives for structuring work that many lean production advocates often argue. These plants have in common significant worker input on the shopfloor, fewer lines of direct supervision, and the presence of a union. As Eaton and Voos observe, "unions bring both protections for workers and an organized collective voice to the workplace that are necessary to ensure the genuine participation of workers in decision making" (1992:174). An examination of the experience of plants like these is central for understanding what high-performance work systems mean in practice.

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## DISCUSSION

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I have been asked to focus my remarks on Harley Shaiken's paper, although I will say a few words about the other papers. All three papers share a common theme: how to promote and support a company's transition to a high performance workplace.

Shaiken basically presents a description of work practices at two automobile plants. Not having been to these plants, it is hard to find fault with the description. It does, however, raise four interesting issues that deserve further attention. First, it is a mistake to overlook the fact that these are both new plants. A significant part of the challenge in adopting high performance work practices is the *change* that these practices represent. New start-ups sidestep part of this challenge, although they undoubtedly face different challenges.

I think that the two plants highlight an important lesson about employee attitudes. Employees' attitudes toward their *present* situation are determined by an implicit comparison to the *past* or to an *envisioned future*. My gut sense is that Chrysler employees are comparing their present situation to their tumultuous past and saying that the present looks pretty good. In contrast, the Saturn employees are comparing their present situation to the expectations generated by the Saturn start-up and saying that the company still has a ways to go before those expectations are fulfilled. Still, I think that the way Saturn generated those expectations holds a number of valuable lessons in how to manage change. Saturn went to extraordinary effort to enable its employees to experience success. That experience accounts for the "can do" attitude noted in Shaiken's description.

One of the dangers in a new site is what happens when the honeymoon period is over. Can the plan survive production demands? The elimination of the extended team meetings at Saturn suggest this is problematic. Can the plant avoid organizational drift? Will the ideals on which the plant was

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started disappear over time? The maintenance of high performance work practices in these plants over time deserves continued scrutiny.

Second, the paper argues for and, I think, presents an interaction effect between employee skill and organizational structure. Shaiken rebuts the myth of old workers as a barrier to change by demonstrating that experienced workers enable the team approach in these plants to work. (A similar interaction is also apparent in Tom Bailey's paper.) The question is what happens to this system when new workers are brought on line? Chrysler is closest to this event and bears watching. What are the best mechanisms to ensure a smooth transition? Are detailed work sheets, closer supervision, and career ladders—as seen in the Japanese transplants—viable methods for bringing new workers on line? Is an apprenticeship system like Bob Glover discusses a better approach?

Third, the paper hints at (but never really addresses) the role of the union in a high performance workplace. The union plays a critical role in both of these plants, but the differences between the two plants suggests that there may be a continuum of labor-management relationships. That continuum is anchored at one end by traditional labor-management relationships as seen in Chrysler. The middle of the continuum manifests a blending of labor and management as seen in Saturn. The opposite end of the continuum is anchored by nonunion plants. Shaiken provides no data on what these plants might look like.

The fourth issue deals with methodology. The paper demonstrates the inherent flaw and danger in using a checklist approach to studying high performance work practices. The details of how these practices are adopted are critical to an understanding of these organizations: for example, the differences in the plants between the use of formal versus informal methods of employee participation. Consideration of the details of implementation highlight the role of *choice* in change management. Business and union leaders need help in identifying the appropriate bundles of high performance work practices that will enable their organization to succeed.

The importance of change management brings me to a few comments on the Bailey and Glover papers. First, Bailey highlights the importance of financial and management resources in the adoption of high performance work practices. This is also apparent in Shaiken's paper: while the training numbers he cites need to be clarified, the commitment of resources and expertise in both plants is incredible. How do we promote and support the adoption of high performance work practices in small and mid-sized businesses that do not have this level of resources available to them?

Finally, I think that Bob Glover suggests one answer to the resource dilemma confronting small and mid-sized businesses. We should not look

at individual firms independent of the community in which these firms exist. For small and mid-sized businesses, community partnerships to pool resources and talent represent an exciting way to support and facilitate change.

## DISCUSSION

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I will focus my remarks on the paper by Robert Glover on applying the lessons of the German apprenticeship system to Austin, Texas. Glover provides a description of a relatively new, very interesting attempt to develop a youth apprenticeship system on the German model in a single local labor market. The significance of this pilot project should be viewed in the context of many years of research on the German dual system of apprenticeship training, largely fueled by hundreds of visits to Germany by academics, industry representatives, union leaders, public officials, and others. The most rigorous overview of the German system that I have seen was done in 1992 by Kenneth Edwards of the International Brotherhood of Electrical Workers (IBEW); it includes detail on the most popular apprenticeable occupations and trainee wage rates.<sup>1</sup> I participated in a September 1994 visit which was sponsored by the National Coalition for Advanced Manufacturing; a special report is available.<sup>2</sup>

Although these visits have exposed American decision makers to German culture and one of the world's most sophisticated systems of training young people in technical skills, too often they result in reports that sit on shelves with little practical impact. This is the first thing to note about the Austin project: it is a very tangible, down-to-earth attempt to extract the lessons of the German experience and apply them to a single labor market region. This in itself is highly commendable. The overall approach of the project is right on target: to identify essential elements of the German model and find ways to adapt the practices to American conditions.

Glover's paper points to the critical leadership role that can be played by local elected officials (in this case the mayor of Austin) in the process of developing school-to-work (STW) transition efforts, especially when those officials understand the need to leverage support from industry representatives and create ongoing organizational structures. It is this support from business and labor, along with organizations that institutionalize a public-private partnership, that will give local and state programs long-term viability.

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Considering the latest rhetoric emerging from Washington on the devolution of federal training programs to the state level, these local experiments will gain importance in the years ahead. It would be worthwhile for Glover to expand on this federal/state/local aspect of the Austin program as he tracks it in the future.

Let me touch on three challenges that this and other STW transition efforts will face in the future. First is identifying and motivating young people to enroll in programs that will likely involve manufacturing, construction, and other occupational areas fraught with stereotypes of angry, alienated, blue-collar workers who get their hands dirty laboring on greasy old machines. These sorts of images need to be counteracted if the STW transition movement is ever to attain its full potential. The Austin program includes international training exchanges for young people in which they have the chance to enroll in actual German apprenticeship programs—a benefit that will expose American teenagers to companies that are very advanced technically. The paper describes a number of spin-offs of this aspect, including the “rich opportunities for comparative learning” and greater motivation for learning a new language. I wonder whether the Austin program is working with high-school counselors to educate them about the fact that there are many highly skilled, well-paying jobs in industry in which young people will work with very advanced, computer-based machinery.

A second challenge involves obtaining the long-term commitment of employers to provide meaningful training to young people while respecting the rights and experience of older, currently employed workers. I understand that the Austin program currently has 18 apprentices working in the metalworking field and that the program was first offered to incumbent workers. This is a very wise and responsible move because it indicates that the company values the many years of commitment made by currently-employed workers. By giving them the first shot at new work-based learning programs, you build some ownership and sense of involvement from the outset. Shaiken's paper on new work systems at Saturn and Jefferson North auto plants clearly demonstrates that high-seniority workers are receptive to ongoing training related to quality, design of production processes, and new technologies. When it comes to serving as mentors for apprentices, the involvement by incumbent, experienced workers is absolutely essential because they must be motivated to eventually transfer their knowledge to trainees. It would be helpful if the paper would cover this dynamic in an explicit manner.

A third challenge, especially in a predominantly nonunion area such as Texas, is how to involve unions in these efforts, or in a broader sense, how

to ensure that the entire project is informed by the views of workers and reflects their hands-on knowledge of how work is really performed on the job. If my interpretation is accurate here, \$200,000 in public funds was devoted to get this project started. Clearly, the intent is for this effort to serve the entire community, and that means individual firms as well as students, workers, and families. It is essential to have unions represented on governing bodies for the project to ensure that the views of workers are represented in all deliberations and that necessary protections of working conditions for young people are put into place. I understand that the Capital Area Training Foundation will include one or more union representatives as members. Unions can play a positive and supportive role here of "bringing these systems to scale" by using their contacts and understanding of workplace realities to extend the programs into a greater number of workplaces.

Since the beginning of widespread discussion of so-called "youth apprenticeship," unions have expressed support for greater linkages between schools and the world of work, while voicing concerns that training for young people at the workplace not be conducted at the expense of skill upgrading for those currently employed.<sup>3</sup>

## Endnotes

<sup>1</sup> Contact Edwards at 202/833-7000 for a copy of *Background Information on the Dual System of Training in Germany*, June 1992.

<sup>2</sup> National Coalition for Advance Manufacturing, 1994. *NACFAM Leads U.S. Delegation to Germany*. Copies available from NACAM at 202/662-8960.

<sup>3</sup> For more detail on labor's views, I would refer those interested to a 1992 HRDI report by Carol Shenon on *Union Perspective on New Work-based Youth Apprenticeship Initiatives*. It is available from the HRDI Publications Dept., 815 Sixteenth Street, N.W., Washington, D.C. 20006, 202/638-3912.



## **X. REFORMING SAFETY AND HEALTH REGULATION: PROSPECTS AND PITFALLS**

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### **Mandating Safety and Health Committees: Lessons from the States**

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Requiring employers to create safety and health committees has become an increasingly common feature of efforts to reform safety and health policy in the United States. Mandating committees in workplaces with 11 or more employees is a principal feature of recent Congressional efforts to amend the Occupational Safety and Health Act (OSHA). At the same time that reform at the federal level has been considered, a growing number of states have amended their state-administered OSHA programs to require safety and health committees.

Mandating safety and health committees in all states not already covered by mandates would affect about 93.5 million employees working in 6.2 million establishments in the private sector. A study completed by the Occupational Safety and Health Administration (1994) estimated the annual costs associated with such a mandate at \$1.245 billion. Not surprisingly then, committee mandates represent one of the most controversial elements of OSHA reform.

The notion underlying committee mandates, however, is that the resulting social benefits far exceed the above costs. Safety and health committees potentially create in-house capacities to monitor and improve

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safety and health outcomes. At the same time, committees could augment the existing system of regulation provided by OSHA's system of standards, inspections, and penalties by serving as an agent to ensure compliance with promulgated standards.

This paper reviews the limited experience of mandated committees in the U.S., with an emphasis on the impacts of committees on OSHA enforcement. The latter effect of safety and health committees can be directly examined by evaluating the experience of the Oregon OSHA program in establishing committee mandates in 1990.

The Oregon reform represents an important case for study since its requirements closely parallel those proposed under federal OSHA reform legislation (the Comprehensive Occupational Safety and Health Reform Act—COSHRA), safety and health legislation and regulations adopted at the state level and in three Canadian provinces (U.S. GAO 1993). This article seeks to take advantage of Oregon's experience in order to draw more general lessons on reforming safety and health policies.

### **Potential Impacts of Committee Mandates**

A small number of states have required workplace safety and health committees in the United States for a significant period of time. Washington State has regulations requiring joint safety and health committees that date back to 1945, predating passage of OSHA itself. Alaska initiated committee requirements for employees in pulp, paper, and paperboard mill industries in 1973 (U.S. GAO 1992). More recently, the number of states mandating some form of employee involvement in safety and health has risen dramatically. As of January 1994, 17 OSHA state-administered programs had legislation or promulgated regulations requiring some type of employee involvement in safety and health (Meridian Research 1994).

The ultimate effects of committees on injury and illness outcomes depends on their ability to affect workplace practices. Safety and health committees can improve injury and illness outcomes in two ways. First, committees provide an ongoing forum for the identification, discussion, and correction of safety and health problems. As a result, effective committees should promote injury prevention efforts, provide training, increase worker and management awareness of risks, and induce quality improvement and production innovation.

Second, committees can affect safety and health by augmenting OSHA in its safety and health regulatory role. Given its resource constraints, OSHA has limited ability to adequately monitor the millions of workplaces under its purview, either by relying on the direct impacts of inspections or the deterrence provided by the threat of inspection. Instead, it must rely

on the exercise of key rights by members of the workforce. These rights granted by the act itself provide employees a means of initiating and participating in key aspects of enforcement efforts.

Previous research has shown that unionization is a key determinant of enforcement activity because of the impact of unions on the exercise of these key rights (Weil 1991, 1992). Unions support employee exercise of rights via the provision of key information on both job-based risks and on employee rights under the law. They also provide recourse in the event of unjust dismissal arising from exercise of these same rights.

Conceivably, safety and health committees play a similar role in supporting use of rights. Committees provide information on job risks as well as OSHA rights that workers more commonly receive in unionized establishments. In addition, safety and health committees could act as agents for individual employees at several critical phases of OSHA enforcement processes. For example, the committees could serve as the designated "employee representatives" to accompany OSHA inspectors during the course of workplace inspections. Alternatively, the committee might provide a protective shield for individual workers who might be more inclined to report problems before, during, or after inspections than often occurs in the absence of such committees (see U.S. GAO 1989 for a recent analysis of this problem). Mandated safety and health committees should therefore increase enforcement activity as a result of their impacts on exercise of employee rights.

### **Committees and Enforcement: Evidence from Oregon**

In 1989 the Oregon legislature passed the Oregon Safe Employment Act requiring every public or private employer of more than ten workers to establish and operate a safety and health committee. The law and regulations promulgated by Oregon OSHA specifically delineate the structure and responsibilities of committees and represent one of the most comprehensive set of requirements of any of the states that require some form of employee involvement (Oregon OSHA 1993, Hecker 1994). The case of Oregon can therefore be used to estimate the second impact of committee requirements described in the previous section: for a given type of workplace, the level of OSHA enforcement in the period after imposition of committee requirements should be greater than found in the time period before imposition of the standards.

#### *Data and Methodology*

The OSHA Integrated Management Information System (IMIS) contains information on all inspections conducted by OSHA programs. The

data base provides information on workplaces inspected by OSHA (e.g., establishment and company size, location, union status, SIC classification), characteristics of the inspection (e.g., length, extensiveness), penalty and violation outcomes, and other administrative data. In order to study the impact of safety and health committees, data were extracted from IMIS for the state of Oregon for two time periods: 1988-89 (the years preceding committee mandates) and 1992-93 (the first two complete years of mandated safety and health committees).

The independent impact of committee mandates on eight enforcement outcomes are estimated by using logit and OLS regression procedures. For each outcome, the impact of committees is measured via a dummy variable equal to 1 if the inspection was conducted in the post-mandate (1992-93) period. Other potential determinants of enforcement are held constant through the use of variables controlling for establishment and company size, union status, a vector of variables related to OSHA enforcement policies, and a series of industry dummies.

### *Empirical Results*

Table 1 presents the estimated impacts of safety and health committees on eight aspects of OSHA enforcement. For each enforcement outcome, the table presents the mean level of the outcome for the sample as a whole, the estimated impact of mandated committees (holding constant other potentially confounding factors described above), and the percentage change this impact represents over the reported mean level of enforcement activity.

Table 1 supports the primary hypothesis concerning the impact of mandated safety and health committees: enforcement activity in Oregon has increased between the two time periods, even after controlling for potentially confounding variables. For example, the probability of employee initiated ("complaint") inspections increased by 7% as a result of mandated committees, while the probability that a fatality inspection was conducted increased by 37%. The latter result is particularly striking given that the overall rate of fatalities in Oregon declined during the study period (Pompei 1992).

The committee mandates also increased the probability that workers participated in OSHA inspection activities by 16% over mean levels. In fact, the largest increases in worker participation in inspection occurred among workers in large, nonunion workplaces where participation rose from 18% of all inspections in 1988-89 to 33% in 1992-93. This result is particularly important since one of the potential impacts of mandated committees is to improve employee exercise of OSHA rights in nonunion workplaces.

TABLE 1  
Impact of Safety and Health Mandates:  
Regression Estimates<sup>1</sup>

Enforcement Outcome	Means (S.D.)	Est. Impact of Mandate (S.E.)	% Change from Mean
(1) Probability of complaint inspection <sup>2</sup>	.14	.01 <sup>°°</sup>	7.1%
(2) Probability of fatality inspection <sup>2</sup>	.019	.007 <sup>°°</sup>	36.8
(3) Probability of worker participation in OSHA inspection <sup>2</sup>	.26	.04 <sup>°°</sup>	16.2
(4) Hours/ inspection <sup>3</sup>	30.1 (53.9)	1.80 <sup>°°</sup> (.68)	6.0
(5) Violations/ inspection <sup>3</sup>	2.4 (3.9)	.24 <sup>°°</sup> (.05)	10.0
(6) Serious violation/ inspection <sup>3</sup>	.7 (2.0)	.40 <sup>°°</sup> (.03)	54.0
(7) Average penalties/ violation (1988\$) <sup>3</sup>	87.4 (454.48)	22.75 <sup>°°</sup> (6.10)	26.0
(8) Serious penalty/ violation (1988\$) <sup>3</sup>	119.14 (497.30)	28.68 <sup>°°</sup> (6.65)	24.1

Source: OSHA Integrated Management Information System.

<sup>1</sup> Full regression results are available from the author.

<sup>2</sup> Derived from pre/post-committee mandate parameter estimated from logit model.

<sup>3</sup> Parameter estimate for pre/post-committee mandate.

<sup>°</sup> Significant at the .05 level.

<sup>°°</sup> Significant at the .01 level.

The higher levels of worker-initiated inspection activity also appears to have led to longer inspections (about 2 hours longer per inspection all else equal) and higher levels of detection of violations during inspections (particularly serious violations, where the number detected per inspection increased by .4 per inspection, representing a 54% increase). Finally, penalties assessed per violation also increased appreciably after passage of the committee mandates. Because of changes in federal OSHA penalty policy over the study period, however, these results must be interpreted more cautiously.

#### *Unionization and Safety and Health Committees*

Safety and health committees are far more common in unionized establishments, even in states where there is no regulatory requirement to form them. Planek and Kolosh (1993) report that 72% of organizations with

some level of unionization had committees at their worksites versus 46% among nonunion respondents of a survey of private sector workplaces. This implies that union establishments were more likely to have had a committee in Oregon prior to passage of the 1990 reforms. Further, even if a particular workplace did not have a viable committee present, union experience in other plants could expedite their formation once committee mandates were enacted. Union/nonunion differentials might therefore arise from the enhanced ability of unionized workplaces to establish effective safety and health committees more rapidly in the relatively brief period following passage of mandates.

Committee mandates have had far larger impacts on enforcement outcomes in unionized workplaces, as demonstrated by Table 2 which presents estimates of the union effect on inspection activity in 1988-89 and in 1992-93. The results suggest that the size of the union effect on enforcement *grew* following the committee mandates, in most cases more than doubling in magnitude. This would suggest that in the period immediately following imposition of mandates, committees in unionized workplaces more actively engaged in OSHA-related activities than committees in nonunion settings.

TABLE 2  
Impact of Unionization on Oregon OSHA Enforcement  
1988-89 Versus 1992-93

Enforcement Outcome	Estimated Union Coefficient <sup>1</sup>	
	(1) 1988-89	(2) 1992-93
Hours/inspection	8.197** (1.108)	16.00** (1.352)
Violations/inspection	-.058 (.084)	.103** (.095)
Serious violations/ inspection	.003 (.034)	.216** (.056)
Average penalties/ violation (1988\$)	13.85 (9.42)	38.768** (12.823)
Serious penalties/ violation (1988\$)	10.604 (9.702)	33.575** (13.848)
Sample size	11389	12046

Source: OSHA Integrated Management Information System.

<sup>1</sup> The results are based on regressions conducted for each of the five enforcement outcome dependent variables for separate 1988-89 and 1992-93 samples. Full regression results are available from the author.

\* Significant at the .05 level.

\*\* Significant at the .01 level.

Evidence from the Canadian experience with mandated safety and health committees suggests that this union effect persists over considerable periods of time (Advisory Council on Occupational Safety and Health 1986; Tuohy and Simard 1993). Mandated committees therefore are not a simple panacea to asymmetries in the degree of enforcement between union and nonunion establishments. They may in fact reinforce them.

## **Conclusions and Implications**

Mandated safety and health committees have had a significant impact on the level and intensity of OSHA enforcement in Oregon, even given the relatively short period of time that committees have been mandated. Passage of committee requirements in Oregon is associated with increases in the frequency of employee-initiated inspections, greater worker participation in inspection activities, higher number of violations found in the course of the inspection, and increases in the magnitude of penalties for violations of standards. Several implications follow from these findings to the more general question of how committees improve occupational safety and health:

1. Safety and health committees are relatively common in the private sector, even in states where they are not explicitly mandated (Planek and Kolosh 1993). This fact has been cited in the debate on COSHRA as a reason for continued reliance on voluntary approaches to promotion of committees. The Oregon experience suggests that the extent of employee involvement and its impact on enforcement increased as a result of mandated rather than voluntary committees.

2. A key role for committees once established is to act as internal regulatory forces in the workplace. The enhanced threat of external intervention can provide powerful incentives for better internal resolution of safety and health issues. In fact, increased enforcement pressure has fostered greater attention to workplace resolution of safety and health problems in many union settings. For example, in the years following passage of OSHA, the number of collective bargaining contracts that included provisions dealing with safety and health issues rose dramatically.

One might predict similar developments over time among larger nonunion firms where the presence of committees raised the external pressure on those firms. Specifically, the increased presence of OSHA may increase the incentives for these firms to expand existing safety and health programs, involve employees more fully in programs, or use committees as a forum for resolving disputes over workplace hazards in lieu of outside intervention.

3. There remains the important question of the determinants of committee effectiveness and the use of alternative forms of participation. It is not clear that the specific safety and health committee structures mandated in Oregon (e.g., equal representation, establishment based) represent the optimal form of employee involvement in all workplaces. More generally, it also follows that no single committee model elicits equally effective non-OSHA-related safety and health activities in all settings. As a result, different types of workplaces may benefit from a more diverse range of solutions than the committee model mandated in Oregon. This raises the need for systematic analyses of how different types of committees or employee involvement forums impact intermediate outcomes like OSHA enforcement or internal safety and health program performance.

4. Did the Oregon reforms reduce workplace injuries and illnesses? The results summarized above only measure the impact of committees on an important intermediate rather than final safety and health outcome. While one might conclude that the evidence is consistent with the decrease in injury rates that Oregon has continued to experience since 1991, the final verdict on Oregon's program cannot be drawn from the enforcement outcomes alone.

Nonetheless, the results provide a more clear vehicle to explain exactly how such committee requirements may ultimately lead to improved safety and health outcomes. Gray and Scholz (1989) have shown in a sample of manufacturing firms that a 10% increase in inspections with penalties led to a 2% reduction in accidents. The large increases in multiple dimensions of enforcement would therefore suggest some direct improvements in injury performance. More importantly, if increased enforcement engenders more comprehensive changes in internal company policies as described above, the potential size of long-term impacts of committee mandates grows further.

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# Creating Economic Incentives: Lessons from Workers' Compensation Systems

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It is a canon of workers' compensation that it acts as an incentive for employers to improve workplace safety. Yet most empirical studies can find no beneficial effect at all. Taken as a whole, studies suggest that workers' compensation leads to, at best, small improvements in workplace injuries and illnesses (see Boden forthcoming).

This, in part, reflects the attenuated relationship between workers' compensation premiums and the costs of injuries and illnesses. Even where workers' compensation costs closely reflect injury and illness costs, employers may attempt to reduce their costs by transferring the burden to workers, to other employers, and to taxpayers. Such activities include avoiding employment of workers believed to be at risk, concealing evidence of workplace risks from workers, contesting more workers' compensation claims, and generally pressuring workers to refrain from reporting injuries and filing claims. In these ways, the safety incentive function of workers' compensation conflicts with its compensation function. Given its limited safety impact, this implies that workers' compensation premiums should not be used to improve workplace safety.

Workers' compensation laws and regulations can have an important role in promoting safety. Insurers can more effectively provide information and technical assistance to employers. Workers' compensation laws can mandate or foster safety programs. These activities focus on workplaces rather than individual workers.

## **Safety and Health Incentives in Theory and Practice**

In theory, workers' compensation can provide safety incentives to employers if it requires them to pay substantial benefits to injured workers.

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Because injuries and illnesses are more expensive with workers' compensation than without, employers benefit more from safety activities and, in theory, invest more in hazard reduction, decreasing the number of occupational injuries and illnesses. The extent of these impacts depends on the elasticity of employer payments with respect to injury costs. This, in turn, can be affected by the degree of experience rating, the impact of workers' compensation on hazard wages, and the probability and timing of compensation.

Russell (1974) pointed out that insurance arrangements can attenuate the relationship between benefit payments and the employer's costs, diluting safety incentives. Premiums of very large employers closely reflect recent injury costs through self-insurance (where employers directly pay benefits) or, when they purchase insurance, experience rating or retrospective rating (Victor 1972; Chelius and Smith 1987). Yet the sensitivity of premiums to injury costs declines with size, and the smallest employers pay a fixed premium that depends only on their industry. Because their costs are insensitive to benefit payments, workers' compensation provides minimal safety incentives to smaller employers (Russell 1974)—where most workers work and where most injuries occur.

Where they are present, hazard wages provide incentives to employers to improve workplace safety. If employers improve safety, they can pay lower hazard wages, offsetting safety costs.

But in some situations, the interaction of hazard wages and workers' compensation coverage could *reduce* workplace safety (Smith 1993). Without workers' compensation insurance, employers in dangerous industries might pay substantial hazard wages providing incentives to improve safety. Workers' compensation covers much of workers' out-of-pocket injury costs, reducing their demand for hazard wages and making the employer's wage costs less responsive to injury rates (Victor 1982; Viscusi and Moore 1987). Workers' compensation premiums of smaller employers are insensitive to injury rates, so their incentive to invest in safety declines.

If workers' compensation is to provide financial incentives to eliminate hazards, employers must pay benefits when workers become sick or injured. Even for fatal injuries, 40% to 70% go unreported to workers' compensation (Stout and Bell 1991). A much smaller proportion of chronic occupational diseases are compensated (Discher et al. 1975; Boden and Jones 1987). When compensation is paid, it is long after exposure, and the responsible managers are unlikely to be held accountable (Eads and Reuter 1983).

### **Evidence about Safety Impacts of Workers' Compensation**

As benefit levels rise, workers' compensation payments per injury rise. Employers' costs become more responsive to injury rates, providing an

additional incentive to improve safety conditions. Most of the sixteen studies reviewed here found that reported injuries increased or remained unchanged when benefit levels rose (Chelius 1982, 1983; Butler 1983; Butler and Worrall 1983; Chelius and Smith 1983, 1993; Robertson and Keeve 1983; Bartel and Thomas 1985; Leigh 1985; Ruser 1985, 1991, 1993; Chelius and Kavanaugh 1988; Worrall and Butler 1988; Moore and Viscusi 1990; Krueger 1990). These studies focus on injury rates, not days lost from work, as the measure of safety.

Only two of these studies showed evidence of an inverse relationship between injury rates and benefit levels (Moore and Viscusi 1990; Ruser 1993). The other studies generally found that injury rates rose when benefits increased.

Because these studies rely on reported injuries, we cannot draw the firm conclusion that higher benefits lead to less safe working conditions. This is because benefit levels affect injury reporting. When benefit levels rise and paying benefits becomes more expensive, we expect employers to discourage the filing of workers' compensation claims more frequently and to require earlier return to work (Chelius and Kavanaugh 1988; Smith 1993). At the same time, workers lose less income if they miss work, so they may report more injuries and stay off work longer (Gardner 1989; Fortin and Lanoie 1992). Even if injury rates fell as benefits rose, reported injury rates might rise.

### *Experience Rating, Self-Insurance, and Safety*

Recognizing this ambiguity, researchers have looked for ways to reduce the impact of reporting on injury rates. One method looks for an "experience-rating" effect. The impact of benefit changes on workers' incentives to report injuries should be similar in smaller and larger firms. Differences in the response of small and large firms to benefit changes thus should reflect the impact of benefits on injury rates for large firms, since small firms are not experience rated and thus lack incentives to improve safety when benefits rise. As benefits rise, we expect to find that injury rates in large firms decline compared with those in small firms.

Two studies by Chelius and Smith (1983, 1993) did not find an experience-rating effect. On the other hand, studies by Worrall and Butler (1988), Moore and Viscusi (1990), and Ruser (1985, 1991) found experience-ratings effects. As benefits rose, injury rates in large firms fell compared with those in small firms. The results of Ruser's most recent study (1993) varied depending on the severity of the class of injuries he examined.

### *Evidence from "Objective" Injuries*

Some studies focus on injury types that are less likely to be subject to systematic reporting bias. Robertson and Keeve (1983) compared the impact of benefit levels on sprains and strains to the impact on more "objective" injuries like lacerations and fractures. They found, in both cases, that reported injuries increased with increasing benefits, although the effect was stronger for sprains and strains.

Other researchers have used a similar approach, focusing on fatal injuries, where malingering and exaggeration are highly unlikely. Butler (1983) estimated benefit impacts on fatal injury rates and found that benefit increases were associated with higher fatality rates. On the other hand, Moore and Viscusi (1990) and Ruser (1993) concluded that increases in workers' compensation benefits reduced fatality rates. Yet, Moore and Viscusi used a measure of injury rates only at a very aggregated industry level. Also, in Ruser's study the estimated impact on fatalities did not decline with employment size. This is inconsistent with experience rating and self-insurance as mechanisms that presumably generate safety incentives.

Overall, research on the safety impacts has not provided a clear answer to whether workers' compensation improves workplace safety. In theory, workers' compensation increases the costs to employers of injuries and so provides incentives for improving safety. Yet taken as a whole, research does not provide convincing evidence that workers' compensation reduces injury rates.

### **Employer Alternatives to Hazard Reduction**

High workers' compensation costs can motivate employers to take actions other than improving workplace conditions. These actions, designed to avoid paying workers' compensation costs, may impose additional social costs and transfer the burden of these costs to workers, to other employers, and to taxpayers.

### *Denying, Litigating, and Discouraging Claims*

Part of the job of claims examiners is to ensure that benefits are paid only for covered injuries and only in appropriate amounts. Other things equal, claims examiners will question compensability more frequently for expensive claims than for low-cost claims. This is because the costs of controversy do not rise in proportion to benefit costs. As benefit costs rise, employers and insurers will contest more claims. This will reduce the number of workers who receive benefits, create more friction costs, and increase delays in paying injured workers.

One study showed that two community colleges more aggressively challenged the compensability of claims after switching to self-insurance (Chelius and Kavanaugh 1988). Self-insurance tied workers' compensation costs more closely to injury costs, leading employers to report fewer injuries. Similarly, when benefits rise, experience-rated employers may discourage claim filing and reject more workers' compensation claims. Spieler (1994) notes that if employers initiate aggressive loss-control programs, injured workers may fear retaliation and avoid filing injury claims. Rising costs also may lead employers to institute safety contests with group rewards for injury-free periods. Pressure from fellow workers then may decrease reporting by injured workers (Spieler 1994). Studies outside workers' compensation also have found that financial incentives affect employer reporting of injuries (Ruser and Smith 1988) and hazardous conditions (Boden and Gold 1984).

Seeking to place blame for rising costs, some insurers and politicians have focused on detecting and deterring fraudulent claims. While some have asserted that 25% or more are fraudulent, there is no credible evidence to support this. I frequently get calls from the media asking me for such statistics. They are disappointed when I tell them such statistics do not exist; but this does not prevent them from reporting on the issue.

### *Employment Policies*

High workers' compensation costs also provide incentives to hire healthy workers and deny employment to workers seen as "injury prone." These efforts have led to the widespread use of preemployment low-back X-rays and supported development of the "index" business, which provided workers' compensation claim histories to prospective employers. Preemployment back X-rays have exposed hundreds of thousands of workers annually to radiation, and studies have shown them to be valueless as a predictor of future back problems (Himmelstein and Andersson 1988).

Such policies are unlikely to reduce the number of workplace injuries and illnesses. Sometimes they allow employers to avoid paying medical and disability benefits (Boden and Cabral 1995). Still, when these workers become injured or sick, somebody will foot the bill. That "somebody" may be the workers and their families, other employers, or taxpayers. The Americans with Disabilities Act (ADA) constrains the use of medical exams before offering employment. Despite this, I expect that such practices will continue—possibly within the letter of the law, if not its spirit.

### **Mandating Safety Programs through Workers' Compensation**

Perhaps in response to these limitations, we have seen an expansion of novel efforts to improve safety through workers' compensation. More than

a dozen states mandate premium discounts for employers with safety programs. In some, the safety programs must meet defined criteria or must be certified by the state. Nine states mandate safety committees through workers' compensation statutes and regulations and through state safety codes. Oregon and Washington, for example, require all employers with more than ten workers to maintain safety committees. Fifteen states require workers' compensation insurers to provide safety services. For example, in California, insurers must submit to the workers' compensation agency safety plans targeting high-hazard employers and must provide certified safety services to all employers. Other states, including Connecticut, Michigan, and New York, have assessed surcharges on workers' compensation premiums to fund occupational safety and health training. Still, we know little about the effectiveness of these methods.

## Conclusion

From the existing body of research, we cannot conclude that workers' compensation premiums provide effective incentives to reduce workplace hazards. Moreover, where workers' compensation costs are high, employers may engage in loss prevention activities that limit the availability of compensation for injured workers, distort employment policies, and lead to socially inefficient expenditures to identify "accident-prone" workers and fraudulent claims. I conclude that increasing the responsiveness of workers' compensation premiums to injury incidence is policy whose risks outweigh its potential benefits.

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## DISCUSSION

JANE S. ROEMER  
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First, let me note that in commenting on this subject, I'm speaking for myself rather than for the 17,000-plus members of the National Safety Council. To begin with, I agree with Les Boden's premise that workers' compensation premiums have not proved to be an effective tool for improving workplace safety and health. It may be better to look at it the other way around: The way to reduce workers' compensation costs is to improve workplace safety and health.

I also agree with David Weil and Joseph Main that safety and health committees appear to have a positive effect on workplace safety and health performance. The National Safety Council's own survey results suggest the same thing.

There are a number of other tools besides safety and health committees that also have a beneficial effect on workplace safety and health. And although you'd never know it from the bitter fight over OSHA reform legislation, there is a great deal of agreement on all sides over what does work.

Some of the tools that are generally agreed upon as useful include comprehensive safety and health training, better data on workplace illnesses and injuries, and having in place an effective safety and health program. Certainly, as Nick Ashford said, technological advances are another promising avenue for preventing workplace illness and injury.

The problem, of course, is how to turn our knowledge into policy and practice. Obviously, the current antiregulatory, antigovernment mood would not seem to bode well for enacting new safety and health requirements, especially at the federal level. I would make the modest proposal, however, that progress is possible if people on all sides of the debate who really care about safety and health in the workplace will participate in good faith.

Particularly now, when employer interests will have greater influence on Capitol Hill, those employers who are doing the right thing in safety and health can play an important and constructive role in determining

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whether workplace safety and health takes a leap forward or a step back in the next few years. The National Safety Council's own experience on the issue of OSHA reform suggests that agreement on workplace safety and health policies is possible because our own labor and management representatives were able to reach consensus on some important issues before getting caught in the cross fire of the larger political battle going on around them.

Early in the discussion over OSHA reform—in fact, soon after the first Kennedy-Ford bills were introduced in 1991—members of the council's volunteer divisions wanted to get on record with their position on the bill. So in accordance with our standard procedures for formulating a policy position, representatives of both our labor union and employer members got together to try to come up with a consensus National Safety Council position on OSHA reform.

They reached agreement in support of a number of key provisions of the OSHA reform bill, while agreeing to disagree on other provisions: for example, they supported requiring joint safety and health committees, requiring written safety and health plans, and extending coverage of the OSHA Act to public employees; and they also supported expanded whistleblower protection.

The volunteers around our table were mostly health and safety professionals with hands-on, practical experience, who were negotiating in good faith. When we announced our consensus position in June of 1992 in the trade press and entered it in the written record of Congressional hearings, there was no negative outcry from our employer members and some support.

But just one year later, when we recited the very same positions before a House subcommittee, it was a different story. An employer trade group "faxed" our testimony to its members around the country, a number of whom also belonged to the National Safety Council. We received quite a few angry calls and letters from employers who were very unhappy with the council's position endorsing some of the elements in the reform bill.

The cause of particular displeasure, of course, was our support for safety and health committees. In the process, we actually lost a few member companies who resigned in disagreement over the position we took.

What had happened was that as the OSHA reform debate wore on, opposition to the Democratic bill became more organized and more intense. At the same time, I believe, opportunities for labor and for the new Clinton administration to forge a compromise were squandered. Instead of a serious discussion of how to improve a 20-year-old law, there was a very polarized struggle that ended up serving the status quo and little else.

As was said here earlier, the fight over that particular version of OSHA reform is probably over for the foreseeable future. The challenge now is whether those from all sides who truly want to improve workplace safety and health can put aside their differences to try to reach the common ground which we know from our experience exists.

## DISCUSSION

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Once again we come together to discuss the prospects for reform of occupational safety and health regulation; only now we are addressing this issue in a disruptive and antiprogressive political climate. Protection of workers seems to be at a low point on the political agenda. The contributed papers in this session identify barriers to progress and possibly effective avenues within the current climate.

In the federal context there seems little hope for OSHA legislative reform. In early January President Clinton's OMB eliminated for funding the Chemical Safety and Hazard Investigation Board, mandated by section 112(r) of the 1990 Clean Air Act, even though both industry and labor supported it. This does not bode well for things to come. The one area of federal activity that may hold promise for worker health and safety is the ongoing transformation in environmental management from end-of-pipe pollution control to pollution prevention, requiring changes in the inputs, final products, and process technology in manufacturing and production. These technological changes are seen as win-win strategies by management and will hopefully benefit workers as well. Care must be taken, however, that less toxic but more flammable and explosive substances are not substituted for more toxic ones. Generally, accident and pollution prevention activities are not well coordinated either within the regulatory agencies or within the firm. Safety is the concern of OSHA, MSHA, and the EPA Office of Chemical Preparedness and Emergency Response, while EPA's pollution prevention activities are found primarily in the Office of Pollution Prevention and Toxics. Safety and health responsibilities are often likewise separated in the firm.

Since federal prospects for mandating health and safety programs and committees are dim, it is at the state level (especially in those states that have strong labor and/or environmental constituencies) that we can expect adoption of these reforms which originally had both management and labor support. However, it is also likely that these efforts would have to be

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supplemented by private sector activities involving labor, management, and professional association and organizations, such as the American Industrial Hygiene Association, the American Society of Safety Engineers, and the National Safety Council. Labor might seize the opportunity to engage in "technology bargaining" to influence the technology the firm will alter or adopt in the future (Ashford and Ayers 1987). In negotiating technological change, a unique opportunity may be seized to change production technologies and work practices to achieve improvements in *both* safety and health, i.e., engage in both accident and pollution prevention (Ashford 1993). The existence of joint health and safety committees, whether mandated as such or spin-offs from labor-management committees, could serve as a vehicle to increase technical literacy in the firm concerning superior technological options for production (Ashford 1995).

Finally, it is imperative that in the current political climate, where both labor and environmental constituencies are weakened, stronger linkages and coordination occurs among them in order to secure both voluntary commitments and enforcement of existing regulation and legislation. Such coordination is occurring in attempts to reverse the decision of the Clinton administration not to fund the Chemical Safety and Hazard Investigation Board. Other initiatives will be needed as well if worker protection is to be advanced.

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## **XI. REFEREED PAPERS: LABOR-MANAGEMENT RELATIONS**

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### **The Determinants of Public Employee Unions' Political Activities**

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Political activities are an important part of public sector labor relations. As voters, municipal employees represent a large, cohesive, and powerful interest group in local elections due in part to their high voting participation rates (Bennett and Orzechowski 1983). Public employee unions can exploit this political power by supporting candidates for public office who are sympathetic to unions' concerns and by engaging in political activities to influence the behavior of government officials in the policymaking process.

Public employee unions' participation in political activities is not surprising given the positive effects of union political activities on wages and employment (O'Brien 1992; Chandler and Gely 1995), as well as on municipal and departmental budgets (Trejo 1991; Gely and Chandler 1995). Despite the benefits public employee unions derive from their political activities, there is significant variation in the level of political involvement across unions as well as in the types of political activities engaged in by public employee unions (Anderson and Delaney 1990). Although numerous studies have been conducted on the political activities of private sector unions (for a review, see Masters and Delaney [1987]), there has been a lack of research examining determinants of public employee unions' decisions to engage in political activities. In this paper we attempt to fill that void in the literature.

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## Theory

The capture theory of regulation posits that interest groups engage in political activities to obtain benefits from government (Stigler 1971). Vote-maximizing politicians are receptive to interest groups' political pressures because they can trade government actions for political support (Downs 1957). Assuming municipal officials are vote maximizers, public employee unions should engage in political activities when doing so enables them to obtain benefits from government (i.e., when public employee unions have political power). Following Delaney et al. (1988) and Anderson and Delaney (1990), the likelihood that a public employee union engages in various political activities is specified to be a function of the political, economic, and legal environments in which unions operate, as well as institutional factors pertaining to the public sector labor relations process and various municipal characteristics.

### *Political Factors*

The favorableness or unfavorableness of the political environment will affect the propensity of a public employee union to engage in political activities, but the nature of the effect is ambiguous. Unions facing a favorable political environment might be more politically active if their involvement reinforces the otherwise prolabor nature of the political environment. In contrast, public employee unions confronting a favorable political environment may have less need to engage in political activities, because government officials may be receptive to their demands independently of their political activities.

### *Institutional Factors*

Political activities can be a complement to or a substitute for collective bargaining. A public employee union may rely on political activities in order to achieve goals it cannot achieve through collective bargaining. In contrast, a public employee union might attempt to enhance its bargaining power by engaging in political activities to keep in office or influence those officials who currently sit across the bargaining table. Thus union bargaining power should affect the likelihood of a union engaging in political activities, but the nature of the effect is ambiguous.

The "quality" of union-management relations might also affect the likelihood of a union engaging in political activities. According to Delaney et al. (1988), unions that operate in a more hostile labor relations environment should be concerned with protecting the immediate needs of their members through political action and, thus, should be more likely to participate in political activities.



### *Legal Factors*

Public employee unions have more bargaining power in states that have legislation protecting the unionization and collective bargaining rights of public employees. How a state's collective bargaining law affects the likelihood of public employee unions' political involvement depends on whether political activities are a substitute for or a complement to collective bargaining. If the two are complementary, unions that bargain with a municipality in states with more favorable bargaining laws may want to engage in political activities to enhance their power. If, however, they are substitutes, the favorableness of a state's collective bargaining law toward protective service employees will negatively affect unions' involvement in political activities.

### *Characteristics of the Municipality*

If municipal residents share the same concerns and expectations as public employee union members, they will be more receptive to the political activities of public employee unions. Public employee unions may exploit this by engaging in political activities. In contrast, where community support for unionization is strong, public employee unions may be able to achieve their goals without expending organizational resources on political activities. Thus the level of community support for unions should affect the likelihood of a public employee union engaging in political activities, but the nature of the effect is ambiguous.

The city's form of government should impact interest group political activities. Participation in political activities should be lower in cities having a city manager form of government, because city managers are nonelected government officials and, thus, are less susceptible to political pressure. Also, "a city manager may restrict the channels of political influence by centralizing the administration of city affairs in a single office" (Anderson and Delaney 1990:365).

Finally, economic conditions in the municipality are likely to influence collective bargaining outcomes, but the nature of their effects is ambiguous. Due to the greater scrutiny given to collective bargaining outcomes when the city faces severe financial constraints, city officials may be under greater pressure to "hold the line" in contract negotiations with public employees. Facing greater opposition at the bargaining table and a more politically active community, public employee unions may either decide to engage in political activities to overcome the political opposition of taxpayer interest groups or decide not to expend organizational resources on political activities.

## Data

Protective service unions (police and firefighters) are recognized for their active participation in local politics (Stieber 1973) and, thus, are useful subjects for a study of public employee unions political involvement. Accordingly, data were collected on a national sample of police and firefighters unions in 816 cities having populations of 10,000 or greater. Union political activities data were obtained from the International City Management Association's (ICMA) "Labor-Management Relations—1988" survey, and financial and sociodemographic data were obtained from various government publications.

Respondents to the 1988 ICMA survey were asked the union status of police and firefighters and whether unions representing these workers had engaged in specific political activities since 1 July 1978. These data do not permit identification of the exact years in which unions engaged in specific political activities, nor do they provide information on the extent of union political involvement. Thus the occurrence and level of political activity is assumed to be constant over the 1978-88 period.

## Empirical Model and Results

### *Dependent Variables*

Three dependent variables were used in the analyses. The variable *POLACTIV* is a dichotomous variable measuring whether the protective service union engaged in one or more of the following political activities: candidate endorsements, candidate financial contributions, manpower or in-kind contributions, mismanagement disclosure threats, publicity campaigns, and/or taking issues to referendum. The variable *ELECTORAL* is a dichotomous variable measuring whether or not the protective service union engaged in one or more of the following electoral political activities: candidate endorsements, candidate financial contributions, and/or manpower or in-kind contributions. Finally, the variable *LEGISLATE* is a dichotomous variable measuring whether the protective service union engaged in one or more of the following legislative political activities: mismanagement disclosure threats, publicity campaigns, and/or taking issues to referendum.

### *Independent Variables*

Unions are generally associated with more liberal policies, and unsurprisingly, they tend to support democratic candidates for elected office. Therefore, control of local politics by the Republican party should lead to a less favorable political environment for public employee unions. Unfortunately, adequate measures of this political dimension at the local level do

not exist. We can, however, use as a proxy the percentage of state representatives who are Republicans (PCTREPUB). For reasons indicated, the effect of PCTREPUB on union political involvement is ambiguous.

The presence of a collective bargaining agreement between the municipality and the protective service union (CBA) and a previous strike by the protective service union (STRIKE) represent institutional characteristics of the labor-management relationship that might affect union political activities. If political activities are a complement to collective bargaining, CBA should be positively associated with the likelihood of a union engaging in political activities. If collective bargaining and political activities are largely substitutes for one another, CBA should negatively affect the likelihood of union political activities. A previous strike by the protective service union (STRIKE), which measures labor-management hostility, should positively affect the likelihood of union political activities.

Given that more favorable bargaining laws increase union bargaining power, the ultimate effect of a state's collective bargaining law (LAW) on union political involvement will depend on whether collective bargaining and political activities are complements or substitutes. If they are substitutes, LAW should negatively affect the likelihood of unions engaging in political activities. If they are complements, the effect of LAW on union political involvement should be positive. In addition, because union bargaining power is enhanced by a favorable legal environment, the effect of a collective bargaining agreement on the likelihood of union political involvement may depend on the favorableness of the state's law towards collective bargaining. To test this, an interaction term ( $LAW \times CBA$ ) is included in the estimating equation.

The percentage of the local labor force employed in manufacturing (PCTMFG), and the percentage of state residents who are unionized (PCTUNION), both should positively affect the receptiveness of the local community and government officials to union concerns. The percentage of municipal revenues comprised of intergovernmental grants (PCTGRANT) and municipal per capita tax revenues (TAXBASE) represent economic factors that might influence union political involvement. The effects of PCTMFG, PCTUNION, PCTGRANT, and TAXBASE on union political involvement are ambiguous. A city manager form of government (CITYMGR) should negatively affect union political involvement.

Finally, several additional variables are included which might affect the likelihood of a union engaging in political activities. These are municipal population (POP, POP2) and dummy variables representing the geographic region in which the city is located (MIDWEST, NEAST, WEST; SOUTH is the reference category). Also, a dummy variable, FIRE, is included to examine

whether a firefighters' union is significantly more or less likely to engage in political activities than a police union. Since firefighter unions are believed to be more politically active and more politically effective than police unions (Stieber 1973), FIRE should be positively associated with the likelihood of protective service union involvement in political activities. Thus the estimating equations can be written as:

$$\begin{aligned} \text{POLACTIV, ELECTORAL,} &= (\text{PCTREPUB, CBA, STRIKE, LAW, LAW}^{\circ}\text{CBA, PCTMFG, PCT-} \\ \text{LEGISLATE} &\quad \text{UNION, CITYMGR, PCTGRANT, TAXBASE, POP, POP2, MID-} \\ &\quad \text{WEST, NEAST, WEST, FIRE}) + e. \end{aligned}$$

Because the dependent variables are dichotomous, we use logit analysis to estimate the equations (Hanushek and Jackson 1977).

### *Protective Service Union Political Activities*

Column 2 of Table 1 shows the estimates for the POLACTIV equation. According to the results, a collective bargaining agreement between a protective service union and a city positively and significantly affects the likelihood of a union engaging in political activities. Moreover, the effect of a collective bargaining agreement on union political involvement is significantly greater in states having more favorable collective bargaining laws toward protective service employees (LAW<sup>o</sup>CBA).

The favorableness of a state's collective bargaining law toward protective service employees has nonsignificant effects on the likelihood of union political activities for nonbargaining unions. However, the favorableness of a state's collective bargaining law significantly increases the likelihood of union political activities where there is a collective bargaining agreement between the union and the municipality ( $b = .235$ ;  $s.e. = .093$ ). The effects of a collective bargaining agreement and the legal environment on union political activities suggest that political activities are a complement to, rather than a substitute for, collective bargaining.

### *Electoral vs. Legislative Political Activity*

Results in Columns 3 and 4 of Table 1 show estimates of the regression parameters when protective service union involvement in electoral (ELECTORAL) and legislative (LEGISLATE) politics are the dependent variables, respectively.

*Electoral political activities.* Protective service union electoral political activity is significantly more likely if there is a collective bargaining agreement between the city and the union (CBA), and the effect is significantly greater the more favorable the state's collective bargaining law toward protective service employees (LAW<sup>o</sup>CBA). Interestingly, the favorableness of a

TABLE 1  
Determinants of Union Political Involvement  
Logit Estimates (N = 1,112)

	<u>Descriptives</u>	<u>POLACTIV</u>	<u>ELECTORAL</u>	<u>LEGISLATE</u>
	(1)	(2)	(3)	(4)
	Means	Coeff.	Coeff.	Coeff.
	(S.D.)	(S.D.)	(S.D.)	(S.D.)
<i>Dependent Variables</i>				
POLACTIV	.456 (.498)	—	—	—
ELECTORAL	.379 (.485)	—	—	—
LEGISLATE	.258 (.438)	—	—	—
<i>Independent Variables</i>				
PCTREPUB	40.298 (11.860)	-.010 (.007)	.012 (.008)	-.009 (.009)
CBA	.849 (.358)	.506** (.230)	.885*** (.257)	.136 (.235)
STRIKE <sup>a</sup>	.014 (.119)	.177 (.602)	.204 (.580)	1.313** (.556)
LAW <sup>b</sup>	0.00 (1.00)	-.215 (.143)	-.283* (.156)	-.040 (.155)
LAW* CBA	.106 (.824)	.450*** (.168)	.549*** (.181)	.177 (.187)
PCTMFG	22.992 (10.182)	.004 (.007)	.012 (.008)	-.015* (.008)
PCTUNION	22.971 (6.858)	-.004 (.014)	.020 (.016)	-.037** (.016)
CITYMGR <sup>a</sup>	.603 (.489)	.109 (.153)	-.218 (.167)	.464*** (.175)
PCTGRANT	27.247 (13.879)	.007 (.005)	.007 (.006)	.003 (.006)
TAXBASE	106.04 (169.334)	-.822E-3 (-.822E-3)	-.002*** (.681E-3)	-.201E-3 (.554E-3)
POP	55.945 (155.316)	.011*** (.002)	.011*** (.002)	.003*** (.001)
POP2	—	-.345E-5*** (.787E-6)	-.324E-5*** (.729E-6)	-.675E-6 (.475E-6)
NEAST	.266 (.442)	-1.323*** (.363)	-1.853*** (.396)	-.465 (.393)
MID WEST	.348 (.476)	-.824** (.372)	-1.001** (.397)	-.327 (.410)
WEST	.229 (.420)	.001 (.330)	-.037 (.344)	-.267 (.357)
FIRE <sup>a</sup>	.435 (.496)	.141 (.134)	.150 (.141)	.156 (.146)
Intercept	—	-.333 (.462)	-1.179 (.503)	-.016 (.501)
- 2 Log Likelihood Ratio		205.472***	259.143***	112.080***

\*\*\* (\*\*, \*) Significant at the .01 (.05, .10) level.

<sup>a</sup> One-tail test; all other tests are two tail.

<sup>b</sup> LAW was created using the NBER's Public Sector Collective Bargaining Law Data Set. See Valletta and Freeman (1988).

state's collective bargaining law toward protective service employees (LAW) has significant negative effects on the likelihood of a protective service union engaging in electoral politics if a union does not have a collective bargaining agreement with the city and has significant positive effects if a union has a collective bargaining agreement with a city ( $b = .266$ ;  $s.e. = .096$ ). These results strongly suggest that public employee unions view electoral political activities as a complement to collective bargaining. This is not surprising because public employee unions' electoral political involvement can help determine who their bargaining opponent will be, thereby affecting local government's receptiveness to union bargaining demands.

The negative and significant effect of per capita tax revenues (TAXBASE) indicates that public sector unions operating in municipalities facing financial constraints are less likely to engage in electoral political activities. Perhaps opposition to union favorable-candidates by other interest groups makes it too risky for labor organizations to commit resources to electoral politics.

*Legislative political activities.* Of the factors that significantly affect whether or not a protective service union engages in electoral political activities, only municipal population (POP) has a significant (positive) effect on the likelihood of union involvement in legislative politics. The results in Column 4 indicate that a prior protective service union strike (STRIKE) significantly and positively affects the likelihood of a union engaging in legislative political activity. Strike activity by protective service unions is designed to pressure government officials to grant concessions desired by unions. To this extent, strikes represent a union pressure tactic similar to mismanagement disclosure threats and publicity campaigns, both of which are included as legislative political activities. The results also indicate that unions operating in municipalities with a city manager form of government (CITYMGR) are significantly more likely to engage in legislative political activities. Given the nonelected nature of city managers, they cannot be easily influenced through electoral political involvement. Consequently, public employee unions must emphasize legislative political activities.

In contrast, the percentage of local residents employed in manufacturing (PCTMFG) and the percentage of state residents who are unionized (PCTUNION) both significantly and negatively affect the likelihood of a protective service union engaging in legislative politics. Cities in which a high percentage of local residents are employed in manufacturing and that are located in more highly unionized states provide a more favorable environment for unions to engage in political pressure tactics. Apparently, public

employee unions are less likely to engage in legislative activities in municipalities that are otherwise receptive to prolabor issues. Where public support for unionization is strong, public employee unions may be able to achieve their goals without expending resources on political activities.

## Discussion and Conclusion

In addition to general characteristics of cities such as population and regional location, this study suggests that various political, economic, legal, and institutional characteristics of the labor-management relationship are important determinants of protective service union political activities. Several important findings emerge from the analysis. First, differences exist between the types of factors that determine protective service union involvement in electoral political activities and those that determine legislative political involvement. While public employee unions' participation in electoral activities appears to be mainly a function of institutional and legal factors, participation in legislative activities is basically a function of various municipal characteristics.

Second, there appears to be strong support for the proposition that public employee unions' involvement in political activities, particularly electoral political activities, is complementary to their bargaining function. Unions in our sample are more likely to engage in political activities when they have a collective bargaining agreement, especially when they are covered by favorable bargaining laws. Political activities are not a substitute for the unions' primary function, i.e., collective bargaining, but a way of strengthening their advocacy and representational function.

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# Unfair Labor Practice Charges Filed in Existing Bargaining Relationships—Bilateral Bargaining?

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Are unfair labor practices (ULPs) filed under the National Labor Relations Act (NLRA) charged by unionists or management as tactics in a larger set of negotiations between labor organizations and management? The question, posed by Delaney, Lewin, and Sockell (1985) in their review of research on the NLRA, has been only partially answered. Without a doubt, there is a stream of research that suggests that certain firms are more prone to commit ULPs. Furthermore, this research informs us that managers knowingly violate the NLRA in order to chill labor organizing efforts or obstruct a newly appointed certified bargaining agent from securing a first contract (Cooke 1985; Greer and Martin 1978; and Kleiner 1984). At the same time, there is also research to suggest that unionists may use the NLRA as a tool to win organizing elections (Boroff 1991). This collective research has tended to center on the use of the agency at the inception of the bargaining relationship when unions seek to be recognized. However, there is no research that explores the extent to which management or unions *in ongoing relationships* are motivated to use the agency to increase their respective bargaining power. This is surprising. While the majority of all ULPs filed in a given year are estimated to be generated from unionists and management in the course of organizing activities,<sup>1</sup> ULPs are nonetheless generated in established and ongoing relationships too. In fact, it is estimated that the bulk of ULPs centered on the refusal to furnish information, either by management or unions, are initiated in established units.<sup>2</sup> Do these filings occur in a quest to preserve Section 7 rights under the act or as extensions of contract or grievance negotiations? What conclusions can be drawn about the efficacy of the act and the agency that administers it from the perspective of those in ongoing bargaining relationships? Certainly, while interest in ensuring that individuals' rights to organize under the act

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are protected is important, insights on how the act works for others not facing organizing elections is necessary if scholars wish to put forth a comprehensive evaluation of the NLRA. This is especially relevant now as President Clinton's Commission on the Future of Worker/Management Relations seeks to determine if labor law reform is warranted.

The purpose of this paper is to examine, via a case study, the motivations behind the filing of a series of ULPs. These ULPs were filed by a labor organization that was the exclusive bargaining agent in a bargaining relationship of more than forty years. This design is chosen for two reasons. First, a qualitative case study design is chosen, as opposed to a larger quantitative methodology, as a first step to inform us of the usefulness of subsequent research. Of course one example does not establish a trend. Nonetheless, if one can find evidence that individuals are motivated to use the board to "enlarge" the bargaining table, then a researcher can next investigate the pervasiveness of that behavior. Second, union-generated ULPs are studied, as opposed to management ones, since the majority of ULPs filed are those originated by labor organizations and individuals alleging employers' violations of the act.<sup>3</sup> So again as an initial step in exploring why ULPs are filed in existing relationships, it makes sense to focus first on the behaviors of "heavy users" of the act. The actors involved in this study are the American Telephone and Telegraph Company—Long Lines Department (AT&T Long Lines or the "company") and the Communications Workers of America (CWA). The time period under study is from 1977 through 1981.

### **The Setting for the Charges**

In 1977 the former Bell System companies and their unions, the Communications Workers of America, the International Brotherhood of Electrical Workers, and the Telephone Independent Union, negotiated a new three-year contract. As was the custom in the Bell System, bargaining proceeded at two levels. At the national level, systemwide wages and benefits were bargained. At the second level, local-level bargaining, terms and conditions of employment specific to the needs of the employees and management of the subsidiaries and departments of the Bell System were negotiated. One of these departments was AT&T Long Lines, whose nationwide bargaining unit of 26,000 employees was represented by the CWA. This unit was established shortly after the passage of the Wagner Act in 1935 but was one of several units of a loose confederation of worker organizations. The CWA came into existence from these federated groups.<sup>4</sup>

At the time the issue of this study first arose in 1977, there were approximately 45 CWA locals within the AT&T Long Lines bargaining

unit. These locals, headed by elected local presidents, reported to the national director for the Long Lines unit. The national director was also elected by delegates from the respective locals within the unit. The national director and his assistant, as well as five "at-large" elected delegates, formed the CWA's local-level bargaining team in 1977. Typically, these bargaining team delegates were local union presidents. The CWA bargained across the table from a management team headed by AT&T Long Lines' labor relations manager.<sup>5</sup>

One of the CWA local bargaining demands at the 1977 table was that the union be provided "exact cop(ies) of all pertinent local grievance information upon request."<sup>6</sup> This demand was put on the table on June 8, 1977, and it reflected the union's attempt to oblige AT&T Long Lines contractually to provide grievance documentation in the form of photocopies. Heretofore, the company permitted the union to examine relevant grievance information. However, if the union wanted to have copies of that material, it was required to *hand-copy* it.<sup>7</sup> In some cases when the material was voluminous, the provisioning of photocopies may have been considered. This, however, was the exception. By and large, grievance material had to be hand-copied by stewards handling the grievance. It was this practice that the union was seeking to change during the 1977 negotiations. It is important to note that the CWA was not protesting the company's failure to provide information; rather, it was the intent of the demand to obtain the information in the form that the CWA wanted.

On June 20th and July 7th the demand was further discussed.<sup>8</sup> The company indicated that it would be "receptive to discussing [the demand]" if the union was willing to talk about the company's desire to secure a no-strike clause. The union responded by indicating that it was not ready to tie anything together just yet in negotiations. Formal and informal discussions on all demands continued.<sup>9</sup> Finally, on August 13, 1977, the parties reached agreement on a new contract, but the company specifically rejected the union's "photocopy" proposal.<sup>10</sup> This new contract was eventually ratified by the membership approximately two months later.<sup>11</sup>

### **The Unfair Labor Practice Charges**

On July 25, 1977, some seven weeks after the union put forth its "photocopy" demand, a ULP was filed with Region 13 (Chicago) of the NLRB, 13-CA-16695. The individual responsible for filing the charge was the Chicago area local president at the time, Joseph Devito.<sup>12</sup> Devito also was one of the elected "at large" delegates to the CWA's bargaining team. The charge alleged a refusal to provide information by the company, an 8(a)(5) violation, because the company failed to provide photocopies of personnel

material to the union for its grievance handling. This documentary material was made available to the union for its hand-copying, but not in the form of photocopies. After reviewing the case, the regional director dismissed it on August 22, 1977. He reasoned that the information was made available to the union and requiring the union to hand copy the relevant material, excerpts from 116 pages of personnel files, did not unduly burden the grievance process. The local requested that the regional director's decision be reviewed by the Office of the General Counsel of the NLRB, then headed by John S. Irving, on September 28, 1977. Two days later, Devito filed a second ULP, 13-CA-16905 (involving excerpting from 40-60 pages of material) again alleging an 8(a)(5) violation because of Long Lines' failure to provide material in the form of photocopies. This charge was also dismissed by the region, on November 3, 1977, for the same reasons as Devito's first charge. Like the former ULP, the local also requested a review by the general counsel. On December 15, 1977 and December 30, 1977, respectively, the Office of the General Counsel dismissed the two cases on the basis that the hand-copying rule was not burdensome nor did it impede the union's ability to process grievances.

About six months later on June 6, 1978, a ULP was filed in Region 1 (Boston) of the NLRB, 1-CA-14610. The charge was filed by Brian McDougall, the local union president of the northern New England area for AT&T Long Lines employees. Like Devito, McDougall was also a member of the 1977 CWA local bargaining team.<sup>13</sup> Like Devito's charge, McDougall was also alleging an 8(a)(5) violation of the NLRA by the company's refusal to provide grievance material in the form of photocopies. Unlike his counterpart in Chicago, however, the Boston regional director decided to issue a complaint on McDougall's ULP. This was done on December 14, 1978. The reason for this decision was that now the hand-copying was deemed unduly burdensome to the grievance process, ostensibly because it involved excerpting material from 71 pages of documentation. Curiously, however, this complaint was not issued until after the Boston region had requested and received advice from the general counsel on this matter.<sup>14</sup> Four months later, McDougall filed another ULP, 1-CA-15940, alleging again an 8(a)(5) violation stemming from Long Lines' failure to provide information in the form of photocopies to the CWA. This ULP involved four additional grievances, collectively involving approximately 60 pages of documentation.<sup>15</sup>

The two ULPs were consolidated; the hearing before the administrative law judge (ALJ) took place in June and July 1979. The ALJ ruled in favor of the CWA, deciding that the failure to provide the union photocopies did violate the NLRA and ordered the company to provide them.<sup>16</sup>

This decision was eventually upheld, 2-1, by the NLRB the following June 1980.<sup>17</sup> At that time, the company and the union had just commenced labor negotiations for a new three-year contract. Both Devito and McDougall were again on CWA's local bargaining team.<sup>18</sup> When the company received the NLRB's decision, it decided to appeal it to the U.S. First Circuit Court in Boston, based on the dismissal of the similar charge filed in the Chicago region and the dissent of NLRB Member Penello, who had expressed concern about the sweeping nature of the majority's opinion. However, in March 1981, the court ruled 3-0 in favor of the CWA.<sup>19</sup> Subsequently, the company decided not to appeal the case further. From there, as ordered by the First Circuit Court, the parties negotiated over the per-page cost of the photocopies that the company would charge the union for its future request for grievance material in the form of photocopies.<sup>20</sup>

### **Debriefing the Case Study**

At this juncture the reader may be wondering why the company refused to provide photocopies to the CWA. Was it a form of "harassment" with the CWA? Perhaps so, but this can well be material for another case study. Here, however, the purpose of the study is to examine the motivations for filing charges—specifically whether a party's use of the NLRA was an extension of the bargaining table in an existing relationship. Given the facts of the case study, I now turn to this question.

### **Is There Evidence of Bilateral Bargaining?**

There is no doubt that the 1977 bargaining demand preceded the ULPs that were subsequently filed. Furthermore, it cannot be disputed that two members of the union's bargaining team were also the same individuals who filed the ULPs. Were these events coincidental? The odds of Devito and McDougall both being elected to the bargaining team from a field of 45 are slim. Of course one may argue that not all local union presidents in the Long Lines bargaining unit were created equal nor had the political resources to ensure their victory in union elections. For the sake of argument, then, discount three-fourths of the local presidents and the odds improved for both Devito and McDougall.

What is the likelihood, however, that these same two individuals would also be the ones to file ULPs on a failed bargaining demand? According to Devito,<sup>21</sup> it was customary for the CWA to hold periodic "local presidents" meetings. There the presidents would share with one another their problems and techniques in dealing with workplace issues. Devito recalls that at one such meeting prior to the 1977 negotiations he urged local presidents to work to obtain grievance materials in the form of photocopies from the

company. He noted to the group that he had been successful on occasion to obtain these. However, given the frequent changes in line managers, what he could informally secure from one manager he might not be so successful with the next. From that discussion the local presidents decided to place this issue as a bargaining demand in 1977 negotiations. Conceivably then, all local presidents were alerted to the photocopy issue and could equally have pursued a ULP charge on it. Only two did—the same two who were on the bargaining team.

While the numbers seem to rule out coincidence, the motivations behind the filings are conclusive, Devito explains why he filed the ULPs:

Working with management is like building a castle in the sand. You have to guard the castle on all fronts, or else the ocean will wash away what you've built. That's why we made the bargaining demand and filed the charges—I had to build the fronts. I got photocopies from some managers, but then other managers would deny me. So we demanded it at bargaining, but if I got the law to make management give photocopies to me, I could make the rule stick better.<sup>22</sup>

How was it that McDougall filed the ULPs in Boston? Devito offers his recollections:

I lost my NLRB charges so I said that we should try elsewhere. McDougall was interested. So, I did all the work and McDougall got all the kudos. I sent him three inches of material for him to file his ULPs. He won his. It took us three years, but we finally won.<sup>23</sup>

From both the circumstantial data as well as the insights from Devito, then, the use of the agency to secure objectives that the union was also attempting to secure at the bargaining table did occur here.

### **Did the Agency Contribute to the Bilateral Bargaining?**

Was the agency more than a neutral player in this set of “negotiations”? From the evidence at hand, it does appear that the agency did contribute to the attractiveness of a union’s “end around” the bargaining table. This was done in two ways. First, the agency’s policy on the “zipper clause” of the collective bargaining agreement left open the degree to which subjects surfacing at the bargaining table could also become grist for the ULP mill. Second, the agency’s wavering on what constituted a ULP in this instance, for all practical purposes, allowed the union to shop for a “winning” forum and the company to become hardened in its position. Let me discuss each of these factors.

*The zipper clause.* A zipper clause is a provision in a collective bargaining agreement that severely limits the right of either parties to the agreement to raise issues covered under 8(d) of the NLRA during the life of the newly executed labor contract.<sup>24</sup> In essence, the terms and conditions of the labor contract are “zippered” or sealed for the contract’s duration. In this way, both management and unions hope to stabilize the employment relationship for the life of the agreement.

The collective bargaining agreement between AT&T Long Lines and the CWA contained a zipper clause. It read, in part:

(T)he Contract is in final settlement for its duration of all demands and proposals made by either party during negotiations and constitutes the entire understanding between the parties. . . .<sup>25</sup>

The company argued that the provisioning of photocopies was demanded and denied at the 1977 bargaining table. In fact, on August 13, 1977, when the contract was finalized, the company denied the photocopy demand as follows:

Let me respond to Union Demands 22, 22a, 17, 20, 23, 28 [the photocopy demand], 31, 32, 34, and 36, not by just saying “no,” but by saying “hell no.” We plan no movement and I’m sure you are not surprised.<sup>26</sup>

So, the company reasoned that since the CWA had bargained the issue but for whatever reasons had opted not to pursue the demand, the company was no longer obliged, during the life of the contract, to entertain negotiations on the provisioning of photocopies. But not only had the company felt its belief was reasonable; its conclusion had been grounded in a prior NLRB decision.

Where, as here, the parties have themselves decided the issue at the bargaining table, the issue has been taken away from the board and there is no need for it to interfere. To hold otherwise is to encourage one party to a bargaining agreement to resort to the board’s processes to upset the terms of a contract which the other party to the agreement had every good reason to believe had been stabilized for a definite period.<sup>27</sup>

Nonetheless, the NLRB found the company’s position on the zipper clause unpersuasive. It did so because were the CWA to waive its right to obtain information in the form of photocopies, its waiver had to be “clear and unmistakable,” as articulated in another board case that was ultimately

decided by the circuit court.<sup>28</sup> It would be hard to argue here that the company's denial of the CWA's demand was anything but clear and unmistakable. Of course, this does not automatically translate to a union's awareness of the waiver of its rights. Nonetheless, the CWA never rejoined the company's denial of its demand. The NLRB left vague exactly what an expressly denied demand at the bargaining table meant in terms of understanding the scope of a zipper clause. Practically speaking, any negotiator from either side would be well advised to remain silent in response to a denial of a demand. In this way, from the NLRB policy at hand, it would be difficult for the other side to mount a "clear and unmistakable" waiver of an issue.

*Beyond the zipper clause.* Even if one is not convinced that the handling of the "zipper argument" contributed to the union's ability to negotiate the issue in more than one arena, the agency's policy on precedents created unpredictability on the legality of the company's actions. First, the regional director of Chicago and ultimately the general counsel on review of the Chicago ULPs decided that the law was not violated. Nevertheless, rulings from one region are not binding on other regions of the board. As argued by Attorney Feaster, one of the attorneys representing the NLRB in the hearing before the ALJ in the combined Boston ULPs,

the decisions of another regional office under the National Labor Relations Board do not have precedential value with respect to any other cases involving any other regions . . . that it has no particular relevance to this particular matter.<sup>29</sup>

However, even the general counsel's advice memorandum to the Boston Regional Director did not effectively rationalize the Chicago decisions. Apparently, according to the advice memorandum, what differentiated the Chicago cases from the Boston ones was, in part, the fact that in Chicago "the union did not initially protest the manner in which the Employer provided the information. . . ."<sup>30</sup> Of course, this reasoning is flawed, given that the union did file a ULP on this issue indicating, minimally, some level of protest. This, coupled with the fact that it was the *same* general counsel who dismissed the Chicago cases, bolstered what AT&T believed to be a good case from its perspective.<sup>31</sup> Furthermore, from a pure "pages of documentation" standard, there was no violation at 116 or 40-60 pages per grievance in Chicago. Since the Boston cases fell within these ranges (71 pages for one complaint or at an average of 15 pages per grievance for the second complaint), the company felt it made a (reasonable) assumption that its actions were not proscribed by the law.



Not only did the agency's policy on regional decisions contribute to the ease with which a party may shop for a sympathetic bargaining table, the board's policy on precedents was also (and, again, continues to be) impractical, especially for the parties involved in this case. The CWA's bargaining unit with AT&T was a nationwide one. It would be unrealistic from both the company's and the union's perspectives to maintain a "no photocopy rule" in Chicago and a "give photocopy rule" in Boston. In order to avoid this two-tier rule, AT&T Long Lines had the option to adopt the "Boston" decision as policy nationwide throughout the company, something, ironically, the agency did not (and still does not) impose on itself. In all, the agency's vacillation contributed to the CWA's ease to look for multiple bargaining tables and the company's resolve to litigate the Boston case, simply because it felt the union was attempting to get from the agency that which it did not get at the bargaining table.

## Conclusions

This case study has provided insights into the likelihood that the agency might well be used as a negotiating tool in established bargaining relationships. Recognizing the limits of generalizability of case studies, this study nonetheless places before us several questions relevant for labor law reform. First, the degree to which region decisions ought to reflect legal precedents should be examined anew. Even if the agency wanted not to be bound by regional decisions, in situations where the general counsel was requested to review a region's decision, perhaps some greater deference should be given to that regional decision than is presently accorded. If the agency still wanted unfettered freedom in changing regional decisions, the agency should then be obliged to develop a policy that maintains procedural and distributive fairness for the parties caught in the cross-fire of changing agency policy. In any case though, if the regional decisions can continue to vary, parties will most likely find it continually useful to litigate issues on the chance that a favorable ruling will come forth in another venue. Furthermore, a generous interpretation of "clear and unmistakable" in zipper clause issues may tend to foster bilateral negotiations.

Given that this study represents only one picture, how might one design a study to measure the degree to which individuals are motivated to file ULPs to engage in bilateral bargaining in ongoing relationships? Since motivations behind filing ULPs are important (as with the case of Devito), surveying users on why they filed ULPs is a first step. Besides the charging party, however, it would be useful to obtain insights from those parties required to respond to ULPs as well as from NLRB officials. They will be able to cast the filings into a larger relationship, thereby informing on the degree to which ULPs represent a tactical weapon in the parties' day-to-day bargaining.

Assuming that ULPs are filed in existing relationships to enlarge the bargaining table, is there anything that labor law reform can do to prevent such from happening? This researcher is not optimistic that a solution can be devised. Unlike the fable where the little boy cried "wolf" once too often, even though a party filed strategic ULPs in the past, the next filing might represent an actual violation of the act that needs attention. So, it seems unfeasible to limit the number of ULPs a party might file or to shift the costs of case handling to the filing party. Furthermore, one would not want to tamper with the parties' ability to settle ULP cases informally, settlements that may embody issues beyond the scope of what appeared to have been the "face value" of the ULP. In any case, students of reform may wish to explore this issue further.

In summary, this paper explored a novel but important issue in the domain of labor law reform. From it a useful research agenda is suggested which will assist in comprehensively evaluating the efficacy of the NLRA.

## Endnotes

<sup>1</sup> Telephone interviews with Michael Lightner, Regional Attorney, Region 22, National Labor Relations Board (Jan. 27, 1994) and Sylvia Patterson, Assistant to the Regional Director, Region 13, National Labor Relations Board (Feb. 1, 1994).

<sup>2</sup> *Id.*

<sup>3</sup> See the Annual Report(s) of the National Labor Relations Board.

<sup>4</sup> Telephone interview with Robert H. Livingston, Labor Relations Manager, AT&T Long Lines (1978-1985) (Nov. 5, 1993).

<sup>5</sup> Telephone interviews with H. Beman Peirson, CWA National Director of the AT&T Long Lines bargaining unit (1980-1983) (Jan. 18, 1994) and R. H. Livingston, *supra* note 4.

<sup>6</sup> Brief for American Telephone and Telegraph Company—Long Lines Department at 3, *AT&T Long Lines v. NLRB*, 644 F.2d 923 (1st Cir. 1981) (No. 80-1466).

<sup>7</sup> Brief for the Communications Workers of America, AFL-CIO, Local 1051 at 9, *AT&T Long Lines v. NLRB*, 644 F.2d. 923 (1st Cir. 1981) (No. 80-1466).

<sup>8</sup> *American Telephone and Telegraph Company—Long Lines Department and Communications Workers of America, AFL-CIO, Local 1051*, 250 NLRB 47 at 37 (1980).

<sup>9</sup> Brief for American Telephone and Telegraph Company—Long Lines Department, *supra* note 6, at 4.

<sup>10</sup> 250 NLRB 47, *supra* note 8, at 39.

<sup>11</sup> R. H. Livingston, *supra* note 4.

<sup>12</sup> Telephone interview with J. T. Devito, President, CWA Local 4250 (formerly numbered Local 5050) (1969-present) (Feb. 22, 1994). Devito and McDougall are not the actual names of the individuals involved. Their names have been disguised. The ULPs

filed are, of course, public documents and researchers can easily obtain the actual names of the individuals who filed the charges. Nonetheless, I have masked the names of the individuals here. These individuals still, after some 13 years, have official capacities within the union. I felt it important to protect their identities, especially given the very frank discussion of one of them to discuss this case with me.

<sup>13</sup> H. Beman Peirson, *supra* note 5.

<sup>14</sup> National Labor Relations Board Advice Memorandum from Harold J. Datz, Associate General Counsel, Division of Advice, NLRB to Robert S. Fuchs, Regional Director, Region 1, National Labor Relations Board (Nov. 24, 1978).

<sup>15</sup> Brief for the Communications Workers of America, *supra* note 7, 16-19.

<sup>16</sup> In the matter of American Telephone and Telegraph Company—Long Lines Department and Communications Workers of America, AFL-CIO, Local 1051, 1-CA-14610 and 1-CA-15940 (Nov. 1, 1979).

<sup>17</sup> 250 NLRB 47, *supra* note 8.

<sup>18</sup> H. Beman Peirson, *supra* note 5.

<sup>19</sup> Communications Workers of America, AFL-CIO Local 1051 v. NLRB and American Telephone and Telegraph Company—Long Lines Department v. NLRB, 644 F.2d 923 (1st Cir. 1981).

<sup>20</sup> R. H. Livingston, *supra* note 4.

<sup>21</sup> J. T. Devito, *supra* note 12.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> NLRB v. Jacobs Mfg. Co. 94 NLRB 1214 (1951), *enfd* 196 F.2d 313 (2d Cir. 1952); Radioear Corp. 214 NLRB 362 (1974).

<sup>25</sup> Agreement between AT&T Long Lines and the CWA, dated August 1977, Article 19.20.

<sup>26</sup> 250 NLRB 47, *supra* note 8, at 38.

<sup>27</sup> International News Service, Division of Hearst Corp. 113 NLRB 1067:1072 (1955).

<sup>28</sup> Proctor and Gamble v. NLRB, 603 F.2d 1310, 102 LRRM 2128 (8th Cir. 1979).

<sup>29</sup> In the matter of American Telephone and Telegraph Company—Long Lines Department and Communications Workers of America, AFL-CIO, Local 1051, Official Report of Proceedings, Vol. 1, 15 (1979).

<sup>30</sup> Advice memorandum, *supra* note 14, at 7.

<sup>31</sup> R. H. Livingston, *supra* note 4.

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# National Union Effectiveness: Top Union Leaders' Views

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Although unions gained members in 1993, the gains were modest and insufficient to dispel the general perception that the U.S. labor movement is an institution in crisis. Explanations for union decline over the last forty years cite various culprits including unions themselves (Fiorito and Maranto 1987). Although factors such as employer opposition may be more decisive, the effectiveness of unions, or their functioning as organizations, should be examined. Our purpose is to explore the "cognitive maps" that national union leaders use to assess their organizations' effectiveness. Given the important role that national unions play in the U.S. labor movement and the important role that top leaders play in guiding national unions, national leaders' perceptions of whether *and why* their organizations are effective deserve study.

## Previous Research and the Role of Union Leaders

Lower-level union leadership has been studied extensively (see Barling, Fullagar, and Kelloway 1992:125-149). Research on high-level union leadership is more sparse. Famous leaders such as Gompers, Lewis, Reuther, and Hoffa have been the subject of numerous biographies. At the extensive margin, Quaglieri (1988, 1989) provides brief sketches of forty-some national union leaders and compares their backgrounds with those of earlier leaders. Importantly, while it is possible to draw some inferences on leadership in particular contexts from some of this work, for the most part it addresses *leaders* rather than *leadership*.

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Some studies examine union leaders' views of the aggregate labor movement. Heshizer and Graham's (1984) comparison survey of national union officials from 1983 and 1963 reveals a perceived weakening of unions, with 51% of their 1983 respondents agreeing that there was a crisis in the labor movement. In both surveys respondents tended to attribute labor's problems to external forces such as employer hostility, market forces, and government policies, although a large percentage (47%) cited union structure and administrative policies, and a small percentage (11%) cited union leadership as problems.

In a similar aggregate assessment by various levels of union leadership, a more recent survey by LeRoy (1992) asked union officials to assess the labor movement and to rank order 25 factors affecting it. LeRoy's respondents gave their movement a mediocre assessment: "[T]he general assessment is that the labor movement is in somewhat poor to fair condition" (1992:374), with mean ratings on a single-item seven-point scale falling below the midpoint (3.59 to 3.68; 3="somewhat poor" and 4="fair"). LeRoy also reports an emphasis on external factors (e.g., bargaining rights, the Supreme Court, and the NLRB), but his respondents also ranked membership solidarity and union leadership among the five most important influences. Interestingly, rankings of leadership influence showed essentially no impact on respondents' assessments of the labor movement. As Reed (1991:306) notes, Quaglieri's (1989) biographical sketches reveal that "most of the leaders attribute blame to external causes. . . . It is the rare union official . . . who attributes a meaningful and realistic portion of the blame for the union movement's current predicament to the strategies and policies pursued by organized labor itself."

National union leaders' decisions are particularly significant in North America with traditions of national union autonomy, for national unions occupy a key position of power in the the labor movement. National unions are the "sovereign bodies," or "kingpins," and exert considerable influence on bargaining, organizing, and political activity. Substantial authority for such matters is often explicitly assigned to the national and particular national union officials in union constitutions.

### Conceptual Model

As Cameron and Whetten (1983:2) note, organizational effectiveness is the *ultimate* dependent variable in organization studies. Few studies of organizational effectiveness have examined unions until recently (Fiorito, Jarley, and Delaney 1993). Given the influence of national leaders and the importance of organizational effectiveness, we pose two questions: (1) How do top national union leaders rate the effectiveness of their own organizations?

(2) What do they see as the critical determinants of national union effectiveness? The first question is essentially one of description, while the second is more analytical. It implies an exploration of the cognitive maps or mental organizing frameworks (Lord 1985) used by national union leaders to order information and make causal attributions.

Specifically, we will examine how leaders' perceptions compare with a model of union effectiveness. Recognizing the similarities of national unions and other organizational forms and at the same time their unique goals and democratic nature, Fiorito et al. (1993) draw from organizational science and industrial relations to propose a model of national union effectiveness. We summarize that model here.

### *Organizational Determinants*

*Innovation.* It can be argued that unions have been ineffective to the extent they have failed to implement reforms constituting effective responses to environmental change (Craft 1991). As Heckscher (1988:23) argues, the hope for unions is not so much a matter of doing more of what they already do, only better, but to do different things, and Shostak (1991: 57-66) cites several instances where unions have used new tactics to achieve success. This suggests that unions with higher levels of innovation are more effective.

*Bureaucracy.* Warner (1975) suggests that in unions, like businesses, bureaucracy entails two distinct constructs. These are *centralization*, which refers to locus of decision making, and *structuring*, which includes formalization, specialization, standardization, and configuration. Warner's "structuring" is essentially Barbash's (1969) "rationalization." Since "structure" is used to connote several other meanings, we use Barbash's rationalization term.

Craft (1991) explores the notion of insufficient change and excessive conservatism in unions. Craft notes that centralization may facilitate prompt action but also argues that centralization can inhibit communication and may limit leader awareness of problems and solutions. This is, of course, a longstanding and fundamental problem for unions, which Heckscher expresses in terms of unions as "*associations trying to act like organizations*" (1988:26, emphasis in original). As Kochan (1980:157-158) argues, centralization may be required for effectiveness in particular situations, but over the long haul it can erode the membership support so vital for union long-term effectiveness. On balance, the negatives associated with centralized decision making seem to dominate, and thus it is proposed that unions that are more centralized are likely to be less effective.

The notion that unions need to balance democratic and ideological tendencies with administrative imperatives has long been recognized (e.g., Barbash 1969). The essence of this notion is that there are systematic and logical ways of rationalizing (or structuring) the organization that enhance effectiveness. Echoing earlier writers such as Barbash, Clark and Gray's more recent assessment concludes that unions desperately need "organizational engineering" (1991:198). Thus it is anticipated that greater rationalization will be associated with higher levels of effectiveness.

*Democratic structure.* In national unions, formal structures must be provided for member influence (Strauss 1991:218-33). Strauss reviews several reasons underlying his conclusion that democracy enhances union effectiveness (pp. 204-5). Thus we expect that unions with more democratic structures are more effective.

*Union strategies.* In contrast to the study of businesses, analysis of union strategies is still in its infancy. There is no generally accepted typology for union strategies in the contemporary context. Our analysis deals with two very broad dimensions of strategy. One dimension concerns the breadth of issues that the union addresses. A union may be narrow in the sense that it focuses exclusively on "bread and butter" issues, i.e., the member's paycheck. At the other extreme, it may concern itself with all aspects of its members' lives, including political issues, social issues, etc. Liberal critics have long chastised unions for an excessively narrow focus, and indeed there is some evidence that workers have broadened their views of what unions should do (e.g., Jarley and Fiorito 1991). Thus unions taking a broader approach in terms of issues they address should be more effective. A second dimension concerns the scope of methods used by the union. In North America, collective bargaining has been the central method used to advance member interests. Given the extensive role of government in contemporary economies, it is not surprising that unions are often extensively involved in the political sphere. Also, some unions feel they have tapped a neglected potential in providing direct services to members. These alternative methods are suggestive of the breadth of strategies unions can pursue. The foregoing leads to the expectation that unions using a broader scope of methods will be more effective.

### *Environmental Determinants*

*Employment growth.* Growing employment tends to imply increases in membership via union security clauses; low membership attrition due to layoffs and plant closings; prosperity for members which may facilitate organizing, community service, and political initiatives; relatively low risk



of job loss in organizing campaigns; and favorable bargaining conditions via financially healthy employers and high costs of striker replacement. While employment growth is an imperfect indicator, it is nonetheless a proxy for "union-friendly" market conditions and thus should be associated with greater union effectiveness.

*Employer opposition.* Many observers attribute U.S. union decline principally to employer opposition (Fiorito and Maranto 1987). There is fairly strong evidence suggesting a significant role for employer opposition. Thus higher levels of employer opposition should reduce union effectiveness.

### Data and Measures

The principal data source for this study is the National Union Survey (NUS) conducted during the summer of 1990. The NUS involved an extensive structured telephone interview with top officials of U.S. unions. Interviews were completed with 275 officials from 111 unions, representing a broad sampling of top national union leaders, including presidents ( $n=45$ ), secretary-treasurers ( $n=43$ ), and directors of research ( $n=40$ ), organizing ( $n=19$ ), legal affairs ( $n=31$ ), and public relations ( $n=26$ ). These unions represent more than 95% of all U.S. union members. Space limitations prevent a detailed description of measures, but most are based on multi-item Likert-style scales from the NUS, with the exceptions of our democratic structure measure (based on union constitutions), employment growth (based on Census data), and employer opposition (based on NLRB data).

### Results and Discussion

Leaders' ratings of their union's success in several dimensions are presented in Table 1. The figures reveal that leaders tend to rate their *own* unions highly, with a mean score on the summary composite over 4.0 on a five-point scale. Some variation is also evident: The mean score for organizing effectiveness is noticeably lower and the mean score for bargaining is noticeably higher than the summary score. These own-union ratings contrast with the gloomier assessments of the aggregate labor movement by union leaders reported by Graham and Heshizer (1984) and LeRoy (1992). These own-union assessments no doubt entail some self-serving bias. Thus in comparison to aggregate assessments, these results also suggest a perception that *other* unions ("not mine") are seen as the problem. But the relatively low own-union ratings for organizing effectiveness suggest a strong element of candor, and evidence comparing the organizing rating with independent information also suggests substantial validity in these ratings (Fiorito, Jarley,

TABLE 1  
Descriptive Statistics and Regression Results

Variables	Mean	S.D.	$\alpha$	Standardized Regression Coefficients for:	
				Overall Effectiveness Rating	Effectiveness Composite Scale Score
<i>Effectiveness Ratings</i>					
Organizing	3.59	1.06		.23***	
Service to members	4.46	.60		.20***	
Bargaining for members	4.40	.67		.29***	
Politics & legislation	3.78	1.07		.14***	
All workers' interests	3.78	.96		.18***	
Overall	4.14	.88			
Composite scale score	4.03	.56	.69		
<i>Hypothesized Influences</i>					
Innovation	3.13	.67	.76		.23***
Centralized control	3.64	.99	.71		-.25***
Rationalization	3.07	.52	.66		.22***
Democratic structures	4.65	2.28	.68		-.02
Scope of issues	3.21	.45	.64		.27***
Scope of methods	1.22	.33	.60		-.06
Employment growth	.81	2.27			-.00
Employer opposition	4.06	2.69			-.31***
<i>Summary Statistics</i>					
R-Squared				.45	.52
Adj. R-Squared				.44	.45
F-Ratio				40.4***	8.11***
N	>162			257	70

\*\*\*:  $p < .01$ , one-tailed tests for regression coefficients

and Delaney forthcoming). More generally, as Dollinger and Golden (1992: 705) note: "Although there is always some doubt cast upon self-reported and perceptual indicators of performance, there is evidence of a high correlation between perceptual and objective measures" at the organization level.

Table 1 also shows regression results for two specifications with different dependent variables. In the first, the dependent variable is the leader's overall rating of union effectiveness, and the right-hand variables are the ratings in specific dimensions. In a sense this equation reveals the relative weights union leaders attach to performance in specific areas (e.g., organizing, bargaining). The results reveal that the greatest weight is attached to bargaining on behalf of current members, with a significantly lower weight ( $p < .05$ ) attached to organizing. Given the political nature of unions, this

result may reflect the fact that only current members vote, and this interpretation jibes with the low weight for advancing all-worker interests. Alternatively, this result's more benign interpretation is that it simply underscores the importance of bargaining effectiveness for U.S. unions, as noted by Barbash (1984:54).

The second equation shows results for a composite scale of union effectiveness which combines all the variables from the first equation, and the right-hand variables represent the factors proposed as causal influences on union effectiveness perceptions. The results from this specification reveal support for five of the eight hypotheses, and the overall model accounts for 52% of the variance in the composite scale. (Due to case-wise deletions for missing data, many cases drop out. In a specification not shown where missing values were replaced with means, results were very similar.) Consistent with the model of national union effectiveness and the hypotheses, leaders see union effectiveness as enhanced by innovation, rationalization, and addressing a broad scope of issues. Also consistent with predictions are the negative effects of centralized control and employer opposition. No support is found for the hypothesized effects of using a broad scope of methods, democratic structure, or employment change.

Our investigation of the cognitive maps used by national union leaders, or more properly, whether the average cognitive map of national union leaders is consistent with a model of national union effectiveness based on industrial relations and organizational science literatures, is clearly exploratory. The results appear to offer some support for this approach. The results show that there appears to be some consensus among national leaders on the importance of various performance dimensions and also as to the factors that influence overall national union effectiveness.

Innovation is obviously necessary in a constantly changing environment where "tried and true" methods become stale and new approaches are needed to appeal to new generations of workers. Employer sophistication in opposing unions continues to grow, and unions must strive to counter it through new organizing techniques, bargaining approaches, and more efficient internal processes (e.g., computerized data analysis and survey research to support bargaining and organizing efforts).

Similarly, rationalization—in essence, conducting the union's "business" in a rational and systematic manner rather than through trial and error, habit, and ideology—has intuitive appeal. It seems that union leaders recognize the merit of calls for greater rationalization in unions.

The result for centralized control, that centralization diminishes effectiveness, is more controversial. In varying terms, observers of the labor movement have noted that a union must be both an "army" and a "town

meeting." National union leaders appear to agree implicitly with Kochan's (1980) argument that while short term effectiveness may be served by centralization, longer term effectiveness requires maintaining member support and involvement. These in turn may be ill-served by centralized control.

The result for the scope of issues the union addresses is also more controversial than some others. As noted earlier, for many years "liberal critics" have charged unions with focusing too narrowly on workplace issues or even more narrowly on "economic" issues. Our results suggest that union leaders see union effectiveness enhanced by addressing a broader scope of issues. This would seem to add some support to the view that the "narrowness" sometimes attributed to unions may stem from their democratic nature rather than leader preferences. For leaders, this underscores the importance of member education efforts.

In view of extensive literature citing the role of employer opposition as a factor weakening unions, the adverse effect for our measure on union effectiveness perceptions is unsurprising. We should emphasize, however, that this measure is not a leader perception but rather is based on NLRB data. Thus while this result speaks only indirectly to leaders' cognitive maps, it is all the more interesting in the sense that it cannot be dismissed as "whining" on the part of union leaders. That is, while some leaders may in part wrongly (and in part rightly) attribute their union's poor performance to employer hostility, our result in conjunction with evidence on the validity of national union leaders' perceptions of their union's performance (at least in organizing—see Fiorito et al. [forthcoming]) suggests an objective basis for this attribution.

The results that fail to support hypotheses are by definition surprising. Our hypotheses concerning the positive effects of using a broader scope of methods to advance worker interests, democratic structures, and employment change were not supported. Apparently union leaders do not (on average) see particular advantage in giving more stress to politics, direct service, and other nonbargaining mechanisms for advancing worker interests. Similar statements could be made concerning democratic structures and employment change, but here our inferences are limited by the fact that these measures were not based directly on leader perceptions. We hasten to add that one should not view the result for democratic structure as indicating a cynicism about democracy among union leaders for this reason. Also, the strong result for centralized control, which may overlap inversely with democracy, suggests that leaders see value in decentralization.

Our main goal was to test a model of national union effectiveness against data representing views of national union leaders. Despite limitations, this effort provides some insights on the cognitive maps used by

union leaders. In particular, our findings suggest that national leaders see internal factors as critical influences on union effectiveness, in contrast to suggestions in some previous writings. This is encouraging in suggesting further that internal reforms can be implemented to achieve greater effectiveness.

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## XII. EMPLOYEE VOICE IN THE WORKPLACE

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### Employee Voice in Training and Career Development

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Current policy perspectives suggest that high-performance workplaces (HPWs) require innovative forms of employee voice: employee and union involvement (EI) in problem-solving, continuous improvement and other elements of workplace decision making. Enhanced employee security and ongoing worker training are said to be important for enhancing EI and the longevity of HPWs (Brown, Reich and Stern 1993). We address here a difficult aspect of this policy perspective: the conflict between employee voice and pay systems in traditional U.S. workplaces and the training and voice systems for incumbent workers that are needed to create and sustain HPWs.

We first discuss inefficiencies in U.S. training systems and then analyze the relations among voice, training, and compensation in HR systems. We review briefly how these systems work in the U.S., Japan, and Germany and propose an innovative approach to training, based partly on the Japanese emphasis upon career paths and the German emphasis upon worker voice, which involves workers and managers directly in a structured training and career development system. This approach reorganizes the considerable training, both formal and on-the-job (OJT), that already characterize U.S. workplaces. Making firm-based training more effective would generate increased worker productivity, longer career ladders, and higher pay for front-line workers without relying upon employment security or massive increases in firm or government expenditures.

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## Training in the U.S. Underprovided or Ineffective?

Standard economic analysis argues that firm-based training in the U.S. is underprovided because high worker mobility and weak employer commitments to job security are inconsistent with the provision of training. Empirical evidence supports this view. Only 4% of the non-college graduates in the NLSY (workers aged 16-25) received formal training of at least four weeks duration (Lynch 1993), and over half of all U.S. establishments did not provide any formal job skills training in 1993 (BLS 1994). Many discussions emphasize how the Japanese practice of career employment in a single company eliminates the free rider problem associated with general skills training by allowing a long period to recoup investments in specific skill development, thereby increasing the rewards to employer-provided training. Mincer and Higuchi (1988), for example, argue that the higher return to and associated greater incidence of training in Japan generates steeper age-productivity profiles and, therefore, steeper age-earnings profiles. Unflattering comparisons of training incidence in the U.S. relative to Japan and Europe (Lynch 1993) support the underprovision view.

New evidence from the 1994 BLS Survey of Employer-Provided Training challenges the free rider argument. Losing trained workers to other employers was not a fear to the respondents in over half of all surveyed establishments and over three-fourths of large establishments (250 employees or more) that provide formal job skills training. They train in order to *retain* their valued employees and do not distinguish general and specific skills in their training programs. Conversely, when the 51.4% of establishments that do not provide any formal training programs are asked why, only 3.1% respond: "fear of losing newly-trained employees to other firms" (BLS 1994).

Comparative studies of training have focused primarily upon formal training and have neglected informal training. In the U.S., formal training means off-the-job training, and informal training refers to OJT, supervised either by coworkers or supervisors. In Japan, formal training refers to both off-the-job training and OJT, and OJT comprises by far the largest component of the Japanese training system. Surveys of U.S. employers and workers consistently report that OJT constitutes the most important means by which workers learn the skills needed for their jobs (Bishop 1994). Of U.S. establishments that do not provide formal training, two-thirds report that OJT is sufficient for their needs (BLS 1994). Recent employer surveys that contain data on the hours spent on training indicate that OJT exceeds, by multiples of eight to twelve, the hours that recent hires spend in formal training (Holzer 1990; Bishop 1994), indicating that data on formal training



alone substantially underestimate the total quantity of firm-based training in the U.S. Claims about inadequate U.S. training may need to be recast to reflect not the quantity but the efficiency of the U.S. training system.

We share the concern that U.S. training systems need reform. But to understand the weakness of company-based training, OJT and its current ineffectiveness must be added to considerations such as employee mobility. By its very nature, OJT is integrated into a firm's HR system, especially the voice and compensation elements of that system. To understand the significance of OJT and how both off-job training and OJT are organized requires situating these in an analysis of the HR system as a whole.

### **Voice, Training, and Compensation Systems**

The component parts of an employment system, to which voice, training, and compensation belong, must be internally consistent. Since skills are developed partially through job experience and each job requires some initial on-the-job training, training and job assignment are interrelated. Over time, job assignments translate into an earnings profile and a career path for the individual, even if such career paths are not planned or regularized by management.

Employee voice can take many forms in the employment system, from a unionized setting with a bargained contract and grievance procedure to a nonunion setting where exit provides the main form for dissent. In most workplaces, a set of rules constrains a manager's job assignment and promotion or upgrade decisions. These rules usually include a skill requirement (before training) and the role of seniority in ranking equally qualified candidates.

The compensation scheme affects the functioning of voice and the formation of career paths through its incentive effects. The elements of the pay system can be based upon skill, age or seniority, individual performance, or group performance. Performance may also be rewarded through job assignment or promotion decisions. To analyze how these components operate within an employment system, we review briefly the U.S., Japanese, and German cases.

### **U.S. Systems: Union and Nonunion**

In unionized companies, traditional U.S. voice systems have led to widespread seniority rules for job assignment, employee transfers and promotions, and layoff criteria. In addition to these important roles for seniority, unions have been able to obtain compressed pay increments with seniority in order to protect member solidarity. Unions have also successfully obtained narrow job classifications and reduction of the role of supervisory

appraisals in determining employee pay increases or job promotions in order to protect members against arbitrary supervisor power.

In a traditional union-management system, employee and union voice generally play a very limited direct role in firm-based training. There are some important exceptions concerning health and safety issues, structured apprenticeship programs, and the recent development of joint union-management training programs. Yet the traditional model remains one in which management structures workers' training and unions focus on increasing the proportion of training programs that are accessible to union members.

The traditional voice system does affect training indirectly by creating some employer and employee incentives for employee training and career development. The rewards of greater seniority, including small increments of pay and working conditions, induce employees to remain with the firm and to acquire skills. Seniority-based-protections against layoffs induce senior workers to train their juniors, knowing that their own jobs are not being put at risk. The relatively flat age-earnings profile reinforces this incentive, because employers are then less likely to want to replace senior workers with junior workers who receive relatively similar pay.

In the much larger nonunion sector, the weakness of employee voice and the contrast with the union sector still holds, but the differences are not as great as two decades ago. With respect to incentives for training, it is the similarities rather than the differences between the union and non-union sectors that are most notable. Both union and nonunion sectors (1) exhibit relatively flat age-earnings profiles for front-line workers, (2) very often use job evaluation schemes that attach pay to jobs rather than to individuals, (3) often use post-and-bid systems to fill job vacancies internally and permit employees to transfer within the company, (4) generally use narrow job classifications with a small number of well-defined tasks and separate production jobs from craft jobs, and (5) only sometimes use employee involvement programs that might stimulate training (Brown et al. 1995). These five characteristics create inadequate training incentives in both the union and nonunion sectors, and they especially inhibit long-term skill deepening and broadening.

Our fieldwork on OJT in Japan and the U.S. indicates that the extensive amount of OJT in the U.S. is too informal and not organized efficiently. In the U.S. the HR system emphasizes employees' preferences in job assignment. A post-and-bid system with seniority is used as the basis for assigning jobs fairly among those workers. The result is a hodge-podge of possible career paths, which reflect improved working conditions or overtime availability as well as idiosyncratic preferences for such things as supervisors or teammates. Although each job requires some on-the-job training,

there is no overall connection between job assignments and skill development, and the pay differences between production job classifications are small. Few production workers have the opportunity to learn skilled or craft tasks. However, restructuring OJT presents the challenge of how to establish an integrated and fair system of career ladders that objectively assign workers, measures and rewards employees' skill, and provides supervisors with information on the skill levels of employees.

### **The Japanese System**

Of all foreign examples, the Japanese case stands out for the amount of ongoing training received by incumbent workers. Our own field work and those of previous observers (Dore 1973; Koike and Inoki 1990) find that the Japanese training systems provide very little off-job or classroom training for incumbent workers. Most off-job training occurs at the time of initial hire, and subsequent training typically consists of only a day or two per worker per year. The impressive component of training in Japan occurs on-the-job, and every supervisor and manager is responsible to do this training. This training is usually highly job-related, and it permits gradual mobility for production workers into what in the U.S. are considered craft and technician positions.

OJT in Japan is heavily structured to deepen and broaden all workers' skills and to facilitate flexibility in job assignment within a work team. For example, in many plants skill charts for each worker indicate with a four-quadrant circle the level of mastery at each station in a work section. The mastery levels include knowing what the tasks are and being able to do them first under supervision and then without supervision; conducting routine maintenance and minor repairs, solving nonroutine problems, and contributing to continuous improvement programs; and finally to training new workers. Often charts also indicate the training plan for that employee for the next year, as well as any industrywide or national certifications that the employee has obtained. The mastery of skills is reflected in both the age-based pay, which reflects expected increases in skills, and performance-based pay, which reflects above-average achievements.

Since pay is attached to the individual through experience, Japanese firms maintain strategic control over individual careers. Longer-term job assignments are organized around a career development plan. Intraplant and interplant transfers are determined by management. Although job classifications are very broad, transfers of workers reflect the training plan as well as job demands. Supervisors and workers discuss each worker's progression through a career path, with an emphasis on skill deepening and broadening over the long term.

Employees and unions have little if any voice on these issues today, but elaborate fairness safeguards ensure that the personnel process retains legitimacy. These are especially salient in the appraisal process and in the structures of employer-provided training. Workers and their unions play no direct role in the process of career development through job assignment.

In contrast to the typical U.S. practice, which differentiates between formal and informal training, in Japan all training is structured and formal. OJT is as carefully planned, mapped, recorded, and rewarded as company-provided classroom training. The key feature is not the amount of training but the highly structured and organized character of the training system.

### **The German System**

The German case is most noted for its apprenticeship system for new workers. Unions are involved at every level of the apprenticeship training system, from the selection process and helping to maintain modern curricula to monitoring training quality and protecting young workers from being used simply as low-wage labor without receiving adequate training as compensation (Marsden and Ryan 1991).

Training beyond the apprenticeship stage, or "further training," is not as well organized. Such training is mainly oriented to achieving the "master" level in the same occupation, which entitles the worker to a higher pay rate, with a few workers advancing further to technician and professional levels. Employers are required to consult with works councils on the general plan for such further training and to obtain their agreement regarding its implementation. Works councils provide some voice in ensuring fairness.

German unions thus far have not played as large a role in further training as they have in apprenticeship training. However, some recent innovative efforts by unions in the metal-working and chemical industries have begun to extend union voice into this area (Mahnkopf 1991). The heightened interest of German employers and unions in the Japanese system of work organization suggests that further training will be a growing issue.

In the German system an apprenticeship program is run by companies, overseen by unions, and jointly implemented by supervisors and works councils at the plant level. Skill upgrading is not emphasized or regularized, and job assignment reflects one's craft, worker desires, and firm needs. Although there are further pay steps (master, technician, engineer), neither job assignment nor pay explicitly recognize experience and the problem-solving skills it develops. In this respect, the German system is similar to the American system for experienced craft workers.

## **Combining Voice and Training: An Alternative Model**

Based in part on the Japanese and German examples, we propose here an alternative system for the U.S., with longer job ladders, steeper age-earnings profiles and more rational career development than is currently practiced. Employee voice plays a new role, substituting to some extent for the role of supervisors and for traditional grievance systems. In this proposed system, employees trade individual control (through seniority) over job assignment and the division between craft and production workers for increasing pay schedules. Firms trade flat pay schedules for increased control over the skill and career development of workers.

In this model it is important that employee movement from one job to another builds upon the workers' existing skills. Consequently, many companies and unions will need to rethink how jobs are assigned presently. The formal recognition of informal training and the long-run planning of skill acquisition, coupled with an integration of production and craft skills, will result in training that is more efficiently provided and more effectively used and can accordingly be rewarded with higher pay.

Annual employee skill evaluations for the past year and career development plans for the next year would document the extensive informal but undocumented training that currently occurs at many workplaces. The evaluation and plan might be done jointly by a team of employees and supervisors. The estimated hours spent by the employee learning the skill, as well as the coworkers or supervisors who were teaching the skill, could be recorded to document the company's costs of informal training.

This system requires that the skill acquisition process for each employee is carefully planned and integrated into a career or job path by a supervisor with the employees' input. Employee voice is necessary to ensure that the career paths, skill standards, and training plans are rational and achievable; the selection, appraisal, and assignment process is administered equitably; and that the quality of training meets designated standards. The employee involvement component, which constitutes the only alternative to an unwieldy bureaucratic system, could take several forms. One possibility would be career development committees, consisting of employees, to work with supervisors and higher management levels to oversee the skill development process.

Elements of this alternative model already exist in a variety of U.S. workplaces. For example, in the Wisconsin Regional Training Partnership, management and labor jointly administer in-plant training for incumbent workers and work together to relate training curricula to industry benchmarks (Parker and Rogers 1994). Companies that have shifted from a job-based to

skill-based pay system find that it deepens employee career development and training and that steeper incentives substitute for seniority as a means of increasing workers' pay (Mericle and Kim 1994). Based upon their management consulting work with numerous companies, Rothwell and Kazanis (1994) have developed off-the-shelf tools for companies to structure on-the-job training.

## Conclusions

The model we propose combines the formal training and career path system from the Japanese system with worker voice from the German system. The emphasis on management's flexibility and worker's input that is valued in the American system is retained, although it takes a new form. Job assignment is jointly determined by workers and supervisors who are constrained by the need to form rational career paths in which training is transferable and, therefore, developed along the path. Pay increases as the worker moves along the planned career path as productivity and skills increase.

Compared to the current U.S. system, the proposed model replaces some worker control over job assignment with a career path and rising wage profiles. It gives management more input into career and training paths in return for a pay system that reflects increasing skill and productivity. Experience matters and is rewarded in the model, putting a new meaning into seniority.

The proposed system contains similarities to two programs that are already widespread: upgrade programs (promotion from within) and employee development programs. The proposed system would make these programs more effective for both workers and management. In traditional upgrade programs a worker's targeted job classification is often unrelated to their current or past jobs. If promotion from within for vacancies would be extended to upgrade workers' skills, job ladders would be longer and more interconnected.

In traditional employee development programs, employers pay tuition for a variety of classes, including degree-granting programs, job-related skills, personal interest, and new careers. In most cases, these programs are not related to the employees' career development at the company, and the employees choose their own courses and level of participation. In the proposed system, continuing education would be related to skill development (including basic education where needed) and job paths. The manager and the worker would jointly decide what courses would be useful to take and how they relate to the person's overall career development, including preparing for a job outside the company.

The proposed system would facilitate flexibility and would not depend upon lifelong jobs. Since skill development is recognized, recorded, and rewarded, the system would be compatible with management needs to adjust the workforce and with worker needs to change jobs for personal reasons or better job opportunities. Firms would be able to plan, fully utilize, and reward the skill development of their workforce, while workers would take more responsibility in their career planning and better understand their skill development and its relationship to pay.

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# Worker Representation and Participation Survey: First Report of Findings

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This is a summary report of initial findings of the Worker Representation and Participation Survey (WRPS), a year-long national study of American employees that began in early 1994, directed by the authors and conducted by Princeton Survey Research Associates. The WRPS gauges employee attitudes toward such matters as current personnel practices, modes of representation and participation programs, existing workplace rights, alternative dispute resolution as applied to workplace disputes, and worker-based regulatory committees.

While the WRPS has several parts,<sup>1</sup> the present report concentrates on the results of a telephone survey of 2408 employees conducted in September and October 1994. The sample draws from the population of nonsupervisory personnel and low- and mid-level managers in private sector establishments of 25 or more employees, a population equal to approximately 70% of the employed private sector workforce, or about 60 million workers.

Part one of this report ("WRPS Purpose and Design") provides background on the WRPS. Part two ("Three Big Questions and Their Answers") identifies the major questions that focus the effort and reports the answers to them that this telephone survey provides.

## **WRPS Purpose and Design**

The purpose of the Worker Representation and Participation Survey is to provide an in-depth survey of employee attitudes toward current work organization and human resource practices and toward different forms of workplace participation and representation.

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Understanding what employees want is vital to fashioning effective labor policies in an era when new technologies and forms of work organization demand change from both workers and managers, and national labor institutions are themselves changing. If such change motivates a reconsideration of our national labor policies, it also underscores the need to hear directly from American workers how they think the current system is performing.

The Clinton administration's 1993 appointment of the Commission on the Future of Worker-Management Relations provided an impetus for the WRPS, but the WRPS is wholly independent of the commission.<sup>2</sup> As part of the study, we sought and received the advice of business and labor leaders and academic and public opinion experts. Their input greatly improved the study, but they are not responsible for the results given here.

Considerable effort went into ensuring the authority of the WRPS, making it qualitatively different from standard opinion polls. Extensive focus group testing preceded the design of the telephone survey. The sample size was roughly double the standard national opinion survey; for those questions also asked on the omnibus instrument, it was three times the usual size. The length of the survey (26 minutes) pressed the outer bounds of conventional telephone surveys. The wording of questions and the sequence in which they were asked were varied to minimize possible biases due to wording or question placement. The survey instrument was pretested several times among a large group of respondents, resulting in extensive changes in question wording and placement. The ongoing feedback and counsel of our business, labor, and outside survey research experts contributed to making the survey as balanced and accurate as possible. As reported above, a detailed follow-up survey of about half the respondents will permit further probing of initial responses. In addition, we have already subjected some of our questions to additional testing on the robustness of the scaling used and other aspects.

There have been other studies of some of the issues examined in the WRPS. What distinguishes this survey from them is its comprehensive focus on representation and participation issues, its extensive effort to test alternative wording and sequencing on responses, its use of a separate management module to get managerial perspectives on representation and participation issues, and its detailed probing of the different dimensions of employee attitudes.

### **Three Big Questions and Their Answers**

While the WRPS is designed to gather information on a wide range of issues in present employment relations, at its core it seeks answers to three

big questions: Do employees want greater participation and representation at their workplaces than are currently provided? What do employees see as essential to attaining their desired level of participation and representation? What solutions do employees favor to resolve any gap between their desired participation/representation and what they currently have?

Before reporting the answers to these questions provided by responses to the telephone survey, we present some background findings of the survey regarding the general position of workers and their attitudes toward their work situation.

First, despite popular discussion of the end of long-term jobs and careers, the vast majority of employees are sufficiently tied and loyal to their firm to have reasons to want to participate in workplace decisions. Our survey shows that employees stay many years with the same firm—on average, about eight years. Some 60% of our respondents described their job as either “long term” (40%) or allowing “an opportunity for advancement” in the same company (20%). Only 23% of employees described their job as one they would “probably leave that is not part of a career.” Fifty-three percent of nonmanagerial employees describe themselves as having “a lot of loyalty” to their company, with only 14% saying they have “only a little loyalty” or “no loyalty at all.”

At the same time, many employees are concerned about the quality of labor-management relations at their firm or organization and their job situation and are not confident they can trust management. One-third of respondents (32%) rated “relations between employees and management” at their company “only fair” or “poor,” compared to 18% rating them “excellent.” While 66% of respondents report that they usually “look forward” to going to work, 34% do not. One-fourth (25%) report that they “wish [they] didn’t have to go”; another 9% “don’t care one way or the other” about their job. The share of those lacking job satisfaction (“don’t look forward to going” and “don’t care one way or the other”) is 39% among the workers making between \$200 and \$599 a week and is 42% among black workers and those in manufacturing.

While a majority of employees report “a lot” of loyalty to their company, only 38% have a lot of “trust [that their] company [will] keep its promises to [them] and other employees.” Among nonmanagerial employees, 36% report having “a lot” of trust in company promises; 42% trust their company only “somewhat”; 21% trust it “only a little” or “not at all.”

Many employees prefer dealing with management as a group. Some 57% of one panel of respondents agreed with the statement “I’d feel more comfortable raising workplace problems through an employee association, rather than as an individual”; 43% of another panel reported that in dealing

with workplace problems they "feel more comfortable having a group of . . . fellow employees help . . . deal with management" than "dealing directly with management" themselves.

In short, American employees are committed to their firms, which gives them a stake in how those firms operate. But they have problems with job satisfaction and do not entirely trust their employers; many feel a need to deal with management as a group. Now, to answer the questions.

*Do employees want greater participation and representation at their workplaces than are currently provided?* Yes, employees want greater participation and representation at their workplaces than they now have. For all age, sex, race, occupation, education, and earnings groups, there is a *representation/participation gap* between what employees believe they can contribute at the workplace and what current work organizations allow them to do.

Some 63% of employees report, generally, that they would "like to have more influence" in workplace decisions; only 1% want less influence; 35% would keep things as they are. Among manufacturing workers, the percentage wanting more influence rises to 72%. Asked *before* considering specific sorts of decisions about their general satisfaction with their influence on company decisions that "affect [their] job or work life," 28% of respondents reported being "very satisfied"; 51%-53% reported being only "somewhat satisfied"; 18%-20% were dissatisfied ("not too satisfied" or "not satisfied at all").<sup>3</sup> Asked the same question *after* consideration of specific decision areas—including work organization, scheduling, and compensation, training, technology use, safety, and the setting of work goals—the percent "very satisfied" dropped to 19%-22%; "somewhat satisfied" ranged from 48%-59%; the dissatisfied share rose to 22%-29%. Averaging across responses in particular decision areas, the share of employees reporting that it was "very important to have a lot of influence on these decisions" (55%) was twice the share reporting "a lot of direct involvement" in them at present (28%). Some 76% of employees believe that if "more decisions about production and operations were made by employees instead of by managers," their company would be "stronger against its competitors"; 79% believe that the "quality of products or services" would improve; 87% report that "employees would enjoy their jobs more."

Most employees welcome the adoption of "employee involvement" (EI) programs<sup>4</sup> and other policies emphasizing employee "empowerment" and management accessibility to employee voice. But they do not believe these programs have gone far enough to encourage worker participation and think their effectiveness would improve with more of it. Some 31% of

respondents report personal involvement in EI programs—systems that are somewhat more prevalent among union workers (33%) than nonunion workers (28%); of those nonunion workers participating in an EI program, 27% report that it addresses wage and benefit issues as well as production issues. Some 79% of nonmanagerial, nonunion participants in EI programs report having “personally benefited from [their] involvement in the program by getting more influence on how [their] job is done.” Among those without EI programs, 64% “would like to have a program like this” at their company.

But only 31% of nonunion nonmanagerial EI participants rate the programs as “very effective” in “improving productivity or quality”; most (55%) viewed them as only “somewhat effective,” with 11% finding them ineffective. Overwhelmingly (82% among nonunion employees, 91% among union members), nonmanagerial EI participants believe such programs would be “more effective if employees, as a group, had more say in how these programs are run.”

Similarly, employees welcome widespread adoption of modern human resource policies and techniques to deal with individual employee problems at work, but most view them as only somewhat effective and think the antidote is more employee influence in their operation. Some 68% of respondents reported their firm having a “personnel or human resources department”; 85% said it had an “open-door policy so employees can tell upper management about problems with their immediate supervisors,” and 32% reported their firm’s having a grievance procedure using “an outside referee or arbitrator to settle disputes between an employee and management.”

Asked to rate the overall effectiveness of their company’s “system for resolving the problems individual employees have at work,” however, only about a quarter (28%) rate their present system “very effective”; 70% rate it “somewhat effective” (49%) or “not too effective” or “not effective at all” (21%). Some 76% of employees thought that “if employees, as a group, had more say in how the workplace problems of individuals are solved at [their] company,” the present system would be more effective; 16% thought it would become less effective; 4% thought increased employee involvement, as a group, would make no difference.

As with systems for resolving *individual* problems, so too with those designed to resolve *group* problems and concerns. There is evidence of wide diffusion of relatively modern human resource policies. Some 48% of nonmanagerial employees in nonunion companies reported their firm having regular “town meetings” called by management to discuss workplace concerns; 63% reported an “open-door” policy for groups of employees to

raise concerns to upper management; 32% reported having a "committee of employees that discusses problems with management on a regular basis."

But no more than a third of such employees thought any of these practices was "very effective." Town meetings were rated "very effective" by 24%, employee committees by 29%, open-door policies by 33%.

Nonunion workers without committees want them as an additional mechanism for employee voice. Depending on question wording, 69%-76% of such workers thought establishment of a committee to meet with management to "discuss the problems employees have as a group" would be a more effective way to resolve concern than their present system; only 19%-25% thought such a committee would reduce the effectiveness of their present system.

Nonunion workers with committees do not want management to select employee representatives to it. At present, in 26% of the cases, committee members are chosen by management; members volunteer in another 43% of the cases; employees elect representatives in only 17%. Asked how they would like committee members selected, nonunion workers overwhelmingly (86%-9%) chose against management selection, with a plurality (50%) favoring employee election of committee members over self-selection by volunteers (36%).

In short, most employees want more say in how their companies are run and how key decisions affecting them are made. They want more individual say and more say as a group and believe greater worker involvement in firm decision making is good for the company as well as for them.

*What do employees see as essential to attaining their desired level of participation and representation?* Employees see *management acceptance and cooperation* as the key to the success of the employee organizations and workplace practices needed to close the representation/participation gap.

Employee sensitivity to the importance of management acceptance and cooperation is expressed in a number of ways. Asked "Do you think employee organizations can be effective even if management does not cooperate with them, or do you think they can only be effective if management cooperates?" 73% of respondents declared employee organizations could "only be effective with management cooperation"; only 17% thought management cooperation was not required. Asked to choose between two hypothetical employee organizations, "one that management cooperated with in discussing issues but had no power to make decisions" and "one that had more power but management opposed," nonmanagerial employees chose the weak organization over the stronger one by 3-1 (63%-22%).<sup>5</sup>

Unionized employees, who might be expected to show less concern about managerial attitudes, show the same concern as other employees. The percentage of current union members believing employee organizations can be effective without management cooperation is the same as for nonunion workers (17%); the share that prefers a weak organization with cooperation to a stronger one without is slightly higher (65%).

A minority of employees, though enough to swing most NLRB elections, report that their support for unions depends on management attitudes. Some 12% of nonunion employees who think management opposes unions and who say they would vote against one also report that they would switch their vote if they learned that management did not oppose it. Reciprocally, 8% of those who would vote prounion believing that management would not oppose a union would switch on learning that management did.

At the same time, employees and managers alike note management reluctance to embrace the changes many employees think are needed. Given "the ways things are set up now" in their company, 56% of those wanting more influence in workplace decisions believe that it unlikely ("not too likely" or "not likely at all") that they can get the influence they want even "if [they] tried"; only 10% thought it "very likely." One quarter (24%) of respondents reported having worked at a company or organization "at a time when employees were trying to form a union." Of these, 5% reported that management "welcomed" the effort; 66% reported management opposition ranging from information campaigns (43%) to "threatening or harassing . . . union supporters" (23%).<sup>6</sup>

In nonunion companies, 66% of nonmanagerial workers believe management would oppose a union drive either through information campaigns (51%) or harassment and threats (15%); 3% thought management would welcome the effort. Among senior (those with ten or more years with the firm) nonunion managers, 69% report that they would "oppose" any unionization effort at their firm; 34% report that it would "hurt [their] advancement in the company" if the employees they managed formed a union; 22% report that it would hurt their career "a lot."

*What solutions do employees favor to resolve any gap between their desired participation/representation and what they currently have?* To deal with workplace issues and give employees greater say in enterprise decision making, most employees want *cooperative joint committees with some independent standing* inside their companies, and many want *unions or union-like organizations*.

Our third question is the most difficult to answer (1) because it asks respondents to assess potential new workplace arrangements which they

have not directly experienced, (2) because of the importance of expectations about management stances to expectations about the effectiveness of arrangements, and (3) because the wide diversity in employees and workplaces implies that the same nominal program or policy will have different connotations to different employees.

We tried in several ways to navigate these difficulties in determining the attributes of the organizations or programs that employees would like. With regard to unionization, we asked how employees would vote in a union election today—a question that has been asked in several other surveys—to which we added a second question about whether they thought 50% or more of the workers at their workplace favored a union. With regard to workplace organizations in general, we asked employees to specify the attributes of an employee organization to deal with workplace problems “if it was your decision alone to make, and everybody went along with it.” We also asked employees which one of three ways they preferred to increase employees’ say and make sure employees are treated fairly at workplaces: laws,<sup>7</sup> joint employee management committees to discuss problems, and employee organizations or unions to negotiate or bargain over issues.

From all of these different approaches, we believe, an answer does emerge. As we have seen, most employees believe that giving employees, as a group, more say in workplace functions and programs would increase their job satisfaction and improve the effectiveness, fairness, and overall performance of their firm. With respect to unions, a substantial minority of employees—several times the current level of union membership—want to join them. Consistent with many other polls, nearly a third (32%) of nonunion nonmanagerial employees would vote for a union “if an election were held today to decide whether employees like [them] should be represented by a union”; in addition, 33% of all nonunion nonmanagers and 82% of those who would themselves vote for a union believe that more than half their fellow employees would do the same. Among current union members, 90% would vote to keep their union if a new election were held today; 85% of all union members and 94% of those who would themselves vote to renew the union believe that a majority of their colleagues would do the same. Overall, then, 40% of respondents reported that they would vote union in an election, and 40% reported that most workers at their workplace would vote union—about three times the rate (14%) of union membership reported in our sample.<sup>8</sup>

Given a choice between “laws that protect the rights of individual employees,” “joint employee and management committees that discuss problems,” and “unions” or “employee organizations that negotiate or bargain with management over issues” and asked to choose which one they

thought would most effectively “increase employees’ say in the workplace and make sure they are treated fairly,” the majority of employees prefer joint committees; unions or union-like organizations came in second place, with more legal protections third.

In a question format offering laws, joint committees, or “*unions* that negotiate or bargain with management over issues,” 63% chose joint committees, 20% chose unions, and 15% chose laws. In a question format offering laws, joint committees, or “*employee organizations* that negotiate or bargain with management over issues,” 56% favored joint committees, 29% employee organizations, and 13% chose strengthened laws.

Asked to consider “any kind of employee organization, not just unions,” on the assumption that “it was [their] decision alone to make, and everybody went along with it,” nonmanagerial employees prefer an organization “run jointly” by employees and management (85%) to run one by “employees” alone (10%); one in which, in cases of conflict, final decisions are made by an outside arbitrator (59%) to an organization in which management makes final decisions (34%); one with access to confidential company information (47%) to one relying on public records (39%); one in which employee representatives are elected (59%) to one in which they are volunteers (25%) or management selected (10%); one composed of similarly situated workers (55%) rather than including everyone except upper management (31%); and one drawing on company budget and staff (52%) to one relying only on its own budget and staff (34%).

## Conclusion

In a nutshell, the WRPS shows that most American employees want more involvement and greater say in their jobs. Many—sometimes a clear majority, sometimes a large minority—also want some form of workplace organization or policy that provides them with *group* as well as individual voice. Employees wish such organization or policy to give them *independent* input into workplace decisions. A sizeable minority want union or union-like organizations; the majority, favoring joint consultative committees, want to be able to select their representatives to such committees. At the same time, virtually all employees—including union members and those interested in joining unions—strongly prefer *cooperative* relations with management to conflictual ones and are acutely sensitive to the need for *management acceptance* of representation and participation organizations or policies if those are to work. And they do not think that cooperation and acceptance, at least on terms anywhere near the organizations they desire, are currently forthcoming from American management.



## Endnotes

<sup>1</sup> This survey was preceded in February 1994 by occupationally stratified focus groups of (1) low-wage service workers in small firms and (2) larger firms, (3) manufacturing workers, (4) clerical workers, (5) "knowledge" workers, and (6) middle managers. A summary of the findings is available as *Worker Representation and Participation Survey: Focus Group Report* (April 1994). In November 1994, an omnibus survey of an additional 1100 workers extended the reach of the initial telephone survey and tested the scales used in questioning there. Results from a follow-up survey of 800 participants in the original telephone survey, designed to probe some responses to it and to see how respondents assess additional information on workplace relations and policies, will be reported later in 1995.

<sup>2</sup> The WRPS is privately funded by grants from the Joyce, Sloan, and Russell Sage foundations.

<sup>3</sup> Responses are reported in a range due to procedures used, viz. a four-way split. Two panels of employees were asked questions about two sets of decision areas—one area *per* panel. Half of each panel was asked the general question *before* consideration of these issues, half was asked *after* that consideration, yielding two "before" responses and two "after" ones. In the text, the "before" part of both panels yielded identical shares of "very satisfied" respondents and marginally different shares of dissatisfied ones.

<sup>4</sup> In the text we use the term as shorthand. In the survey we asked about "things like self-directed work teams, total quality management, quality circle, or other employee involvement programs."

<sup>5</sup> The response should not be taken to suggest a worker preference for weak organizations over stronger ones; everything else we know from the survey suggests the opposite—all else being equal. Nor should it be read to imply anything about the conditions antecedent to getting management cooperation, which might reasonably be thought to include organization or laws sufficiently strong to punish noncooperative behavior. What it does suggest is that management behavior dominates employee choice among representative forms.

<sup>6</sup> This figure is consistent with estimates, based on NLRB election reports, that in about one quarter of elections workers are illegally discriminated against for union activity.

<sup>7</sup> This question did not hit respondents unawares; it was preceded by a series of questions about current workplace rights and regulations. Results of this portion of the questionnaire will be reported after completion of our follow-up survey, which in part focuses on alternative means of resolving disputes about such rights.

<sup>8</sup> This is our calculation. The first 40% is the sum of the share of the unionized labor force, as a share of the total labor force in our sample, that would vote union themselves ( $.9 \times .14 = .126$ ) plus the share of the nonunionized labor force, as a share of the total labor force, that would vote union ( $.33 \times .86 = .275$ ). The second is the sum of the unionized and nonunionized labor forces, as a share of the total labor force, believing that a majority of their colleagues would vote union, or  $.119 (.85 \times .14)$  plus  $.283 (.33 \times .86)$ .

### **XIII. SOCIOLOGICAL PERSPECTIVES ON LABOR LAW AND THE LABOR MOVEMENT**

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## **Laws as a Cause and Consequence of Public Employee Unionism**

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Between the mid-1960s and early 1970s, union membership among state and local employees in the United States fairly exploded and was accompanied by the widespread passage of state laws regulating collective bargaining in government. These developments stimulated numerous studies examining the causes of membership growth and the adoption of public sector bargaining policies. Most studies looking at membership growth concluded that state "laws were a major factor in the growth of public sector unionization" (Freeman 1986:48; see also Moore 1977, 1978; Dalton 1982; Saltzman 1985, 1988; Ichniowski 1988; Piskulich 1992). Studies looking at bargaining policies found pronunion laws to be positively associated with public employee unionism, urbanism, and legislative innovativeness and negatively associated with conservatism (Kochan 1973; Moore and Newman 1975; Saltzman 1985; Piskulich 1992).

As political sociologists, we believe the processes of unionization and collective bargaining regulation are inseparable. Unfortunately, except for those by Saltzman (1985, 1988), previous studies fail to examine both developments simultaneously or to analyze them from a consistent theoretical

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framework. In what follows, we use multivariate techniques to analyze both processes.

### Theoretical Overview

Researchers with various theoretical orientations use different terminology but agree that conflict is inherent in the workplace (marxists include Marx [1867] 1967; Hyman 1975; pluralists include Kornhauser, Dubin, and Ross 1954, Moore 1954; Coleman 1990; Dunlop [1958] 1993).<sup>1</sup> Humans' inherent desires for creative labor, warm social relationships, and material comforts are necessarily frustrated under capitalism because management and labor "are primarily engaged in sharing between themselves what is . . . a largely given amount of income and power" (Kerr 1954:231).

More specifically, employers in the private sector are motivated to hold down wages to enhance profits; in the public sector, they are motivated to "act 'efficiently' and responsibly with tax monies" in order to maintain an environment favorable to private sector profit making (Robinson 1982:57). In addition, in the public sector, wages are set through legislation, a slow process that works to the disadvantage of civil servants in economic periods of persistent inflation (Wellington and Winter 1971). Big bureaucracy depersonalizes the employment relationship, contributes to feelings of isolation and powerlessness, and leads to faulty communications and disputes. Mechanization and specialization cause a "reduction in skill, variety, and spontaneity" with "resulting losses in psychological satisfaction" (Katz 1954:90). These technological constraints on workers are undergirded by employers' commitment to management rights and scientific management (Coleman 1990).

Workers' discontent naturally gives rise to collective action. Unionization reduces or eliminates competition for jobs, preventing employers from playing workers off each other. In addition, public employees are compelled to use collective action because in politics, organization begets power. Unions can negotiate with public management over the immediate conditions of employment, lobby lawmakers for larger appropriations, build public support for government programs, and strike to exert the maximum pressure on elected officials (Johnston 1982).

Many factors influence the process of unionization. Extensive urbanization masses employees and enhances communication (Marx [1867] 1967; Giddens 1973), while a high demand for labor encourages employers to compromise with unions (Bain and Elsheikh 1976). When public employees organize, they should be supported by the wider labor movement and opposed by business interests (Miller and Canak 1988). New members expand the labor movement's organizational resources and enhance its

struggle for political influence. Business lobbies against the organization of public employees to prevent an overall increase in the strength of the labor movement, as well as a rise in public sector wages, spending, and taxes. Perhaps most important for state and local employees are laws regulating collective bargaining, because in the absence of positive laws, public employers regularly claim they have no authority to recognize unions (Spero 1948; Nesbitt 1976; Miller with Canak 1995).

The state's central role in regulating economic conditions naturally encourages unions and employers to campaign for state support. Political success depends upon a number of characteristics. Industrialization leads to increased economic specialization, social complexity, and labor strife (Wilensky 1975). The state, as a consequence, takes a more active role in economic planning and "has a strong motive to ensure that its plans are not frustrated" (Ross and Hartman 1960:50). It tends to institutionalize collective bargaining to control industrial strife and preserve social order (Kerr 1954; Flanders 1970; Clegg 1976). Popular sovereignty allows all interest groups to influence party incumbency. Once in office, labor-supported parties, such as the Democrats outside the South, often encourage the further expansion of labor organization (Greenstone 1977). In the United States, which lacks real party discipline, party cohesion is increased by high levels of interparty competition (Lipset 1960). When interparty competition is high, all parties must campaign vigorously for the support of major interest groups to gain office, then maintain ranks to preserve legislative control. Finally, the professionalization of the state bureaucracy encourages lawmakers to adopt new policies to enhance their reputations and build support with targeted constituencies (Orloff and Skocpol 1984; Amenta and Carruthers 1988).

In summary, the unionization of public employees begins with the inherent conflict between labor and management but then involves, simultaneously, public employees' attempts to organize unions, win recognition, and establish collective bargaining, and the labor movements' ongoing struggle to influence state policies that regulate collective bargaining. Undoubtedly, many of the factors that effect unionization also effect policy regulation. In both processes, public employees and the labor movement are frequently opposed by public employers and the business community.

## **Data and Methods**

A full understanding of unionization and policy regulation, given the limited number of cases (50 states), should be based both on statistical and comparative historical methods. Space limitations restrict us to statistical methods. The units of analysis are the American states over two observation

periods, 1953-1966 and 1967-1979.<sup>2</sup> Because of simultaneity, the dependent variables are measured following an approximate five-year lag, that is, in 1970 and 1984. The end-dates, 1970 and 1984, represent, respectively, an early period of movement mobilization and policy innovation and a later period of policy diffusion and organizational success. In addition, 1984 is the last date for which published data on state collective bargaining laws are readily available.

One dependent variable is an index of state laws regulating collective bargaining for state and local employees, police, firefighters, and teachers. The index (bargaining laws) measures the extent to which state laws encourage union recognition and mandate employers to bargain in good faith (Valetta and Freeman 1988; Pisculich 1992). The other dependent variable measures the percentage of public employees who are members of labor unions or employee associations (public sector unionism). The independent variables include the causes of conflict (relative pay, government size), factors that influence unionization (unemployment, urbanism), the organizational strength and militancy of the labor movement and business community (union strength, private sector new organizing, public sector strikes, business strength, NLRB unfair labor practices), political system characteristics (legislative professionalization, interparty competition, Democratic incumbency), and state laws regulating union security agreements (right-to-work law).<sup>3</sup>

Bargaining laws and public sector unionism are analyzed using ordinary least squares (OLS) and time series with cross sections generalized least squares (GLS). The results are displayed in Table 1. In the discussion that follows, space limitations force us to concentrate on the GLS results.

## Results

### *State Public Sector Collective Bargaining Laws*

Case studies of legislative developments in various states document that the major proponents of collective bargaining laws included AFL-CIO affiliates and independent public employee associations, while the major opponents included affiliates of the National Association of Manufacturers, Chamber of Commerce of the United States, National League of Cities, National Association of Counties, and National School Boards Association (Staudohar 1973; Wanamaker 1977; Crouch 1978; Saltzman 1985, 1988; Donovan 1990; Miller and Canak 1991). The GLS results indicate union strength (density) is positively and significantly associated with favorable laws, while somewhat surprisingly, union militancy (private sector new organizing and public sector strikes) is negatively and significantly associated

TABLE 1  
Determinants of Public Sector Bargaining Laws and Unionism, 1970 and 1984

Variable	Bargaining Laws			Unionism		
	1970 a	1984 b	TSCS GLS c	1970 d	1984 e	TSCS GLS f
Relative pay	96.582° .279	-.956 .002	8.960 .506	39.333** .379	39.354** .236	1.172 .139
Government size	-16.076** .503	8.106 .174	-9.226 -.141	-2.120 -.221	-1.944 -.098	-3.086 -.160
Unemployment				-.060 -.008	.384 .022	-.262 -.200
Urbanism				.215° .350	.285** .224	.351** .282
Economic development	1.803 .170	-.678 -.038	1.354 .091			
Union strength (t-10)	1.122 .368	2.094° .405	.827° .198	.359° .392	.689** .310	.326 .165
Private sector new organizing	-8.211 -.093	-44.430 -.256	-25.938° -.203	-2.697 -.102	3.851 .052	.174 .003
Public sector strikes	-2.873 -.262	-2.693° -.285	-1.741° -.230	-.581 -.177	-.057 -.014	-.397 -.111
Business strength	3.310 .208	-.943 -.043	2.194 .087	1.332° .288	.553 .058	2.581° .216
NLRB unfair labor practices	.021 .025	-.345** -.388	-.151° -.216	-.049 -.190	-.121** -.318	-.083** -.250
Legislative professionalization	3.994° .317	-4.377 .243	1.784 .112			
Interparty competition	.306 .262	1.281** .571	.759** .450	.062 .177	.046 .047	.101 .126
Democratic incumbency	1.095 .292	3.094** .482	2.398** .456	.372 .332	.634° .230	.863** .346
Democratic incumbency × West	-1.109 -.252	-2.203** -.373	-1.458 -.269	-.461° -.352	-.612** -.241	-1.000** -.383
Democratic incumbency × South	-.419 -.162	-1.004 -.242	-1.046 -.297	-.153 -.198	-.619** -.348	-.823** -.493
Bargaining laws				.003 .005	.105** .244	.118** .245
Right-to-work law				-1.520 -.082	-1.969 -.053	-3.062 -.081
R Square	.642	.699		.793	.924	
Adjusted R Square	.505	.584		.696	.888	
F	4.685	6.078		8.159	25.853	
Probability of F	.000	.000		.000	.000	

Significance levels: ° = .05, \*\* = .01

with such laws. Together, these results suggest that well-organized labor movements, through bargaining, campaign, and lobbying activities, establish themselves as substantial players in legislative deliberations. Militant tactics stem from a lack of political clout or create an antiunion backlash among policymakers or both. They do not produce favorable legislative results like more legitimate lobbying activities.

Business opposition to unions in the private sector rapidly accelerated during the late 1960s and throughout the 1970s. The statistical evidence indicates that these antiunion activities paid off. Unions and public employees were significantly less successful lobbying for favorable laws where private sector firms frequently committed unfair labor practices during new organizing campaigns (NLRB unfair labor practices). Fighting new organizing and running campaigns to eliminate unionized shops in the private sector destabilized the labor movement. Both probably were accompanied by electoral support for conservative politicians, as well as by lobbying campaigns about the needs of business in an era of stagflation. Together, these activities increased policymakers' skepticism toward unions.

Democratic party control of the legislature and governorship in the Manufacturing Belt (Northeast and Midwest) is positively and significantly associated with the passage of favorable laws. Democratic incumbency in the South and West (Plains, Mountain, and West Coast) is not as strongly associated with such laws. The coefficients for the South are somewhat misleading because there is virtually no variation in the extent of Democratic control—conservative Democrats controlled virtually all of the executive and legislative offices in these states throughout both periods. By 1984 many Southern legislatures recognized the right of some public employees to unionize, but only Florida passed comprehensive legislation, and only then by court order (Miller and Canak 1991). Arkansas, North Carolina, Texas, and Virginia still banned collective bargaining for some or all workers.

Interparty competition is positively correlated (results not shown) in both periods with the strength of labor and business, indicating that as the balance of power between organized interest groups approaches equality, political competition increases. The level of interparty competition is, in turn, positively and significantly linked to the passage of favorable laws. As interparty competition increased, the political influence of unions and public employees increased, and policymakers responded to this increased influence with laws more favorable to collective bargaining.

In summary, the passage of state laws favorable to full collective bargaining is supported by the presence of strong statewide labor movements, the long-term incumbency of especially labor-oriented Democrats in the Manufacturing Belt, and high levels of interparty competition. The passage

of favorable laws is hindered by the active opposition of the business community, as well as the long-term incumbency of Republicans and Southern Democrats. Other variables explored in the analysis are inconsistent across periods or fail to reach significance.

### *State and Local Union Density*

The level of union membership among state and local employees is positively and significantly associated with urbanism. The increase in social density associated with urbanism makes the job of organizing easier. Under such conditions, many employees can get together, discuss their common grievances, and join in concerted action. Although the concentration of public employment in large bureaucracies is positively correlated with urbanism (results not shown), government size is negatively and significantly associated with density. Although urbanism increases communication, communication probably is further enhanced in smaller work settings where more employees know each other or share friendships.

As in the analysis of labor laws, public sector union density is positively linked to the strength of the labor movement, though the relationship is not significant in the GLS model. Density also is negatively and significantly linked with business' violations of federal labor law. That it is business' ideological commitment to antiunionism that is important to undermining public employee unionism is underscored by the coefficients for business strength, which are positive and significant. Public employees unionized successfully where business is strong, measured by corporate assets and headquarters, but not where business actively opposed new organizing.

The role of Democratic incumbency also is important. Union density is positively and significantly tied to Democratic control in the Manufacturing Belt, while Democratic control in the West and South is significantly less favorable than control in the North. Greenstone (1977) asserts that the Democratic party has functioned as a partial equivalent to a European labor party. Through the 1960s and 1970s liberal Democrats *in the Northeast and Midwest* were supported by strong industrial unions and functioned as a *partial* equivalent to a labor party, encouraging public sector collective bargaining through favorable state labor laws.

Finally, state laws supportive of collective bargaining are positively and significantly associated with the level of unionism, especially in the second period. This influence, however, is difficult to separate from party control. Elected officials and public administrators obviously have considerable latitude in observing laws. In the absence of a firm philosophical commitment to collective bargaining or a strong statewide labor movement, they, like



private sector employers, can vigorously contest certification elections or drag out negotiations. Thus by 1984 bargaining laws and the three party control variables together explain 76% of the variance in unionism. Alone bargaining laws explain 56%, while the party control variables explain 62%. In other words, when entered into the regression equation first, both labor law and party control explain similar levels of variance. Party control mediates the effects of laws, a fact missed in those previous studies that failed to control for political system characteristics.

To summarize, higher levels of union membership among state and local public employees are significantly encouraged by collective bargaining laws requiring public employers to recognize unions and negotiate in good faith. High levels of union membership also are directly and substantively helped by high social density associated with urbanism, the strength of the labor movement, and the stable incumbency of Northern Democrats. Public employee unionism is undermined by employer hostility. Other variables explored in the analysis failed to reach significance.

## Discussion

The multivariate analyses support our belief, suggested above, that the processes of unionization and collective bargaining regulation are inseparable. Both are tied to the strength of labor, the active opposition of business, and party incumbency. Critics might raise two objections. First, not enough cases and too many independent variables undermine confidence in the results, which might be seriously affected by model specification, extreme cases, or multicollinearity. We have found the results to be robust with alternative model specifications, somewhat different indicators for the dependent variables, and various observation dates (Miller and Canak 1988; Miller 1994).

More important, the results are supported by historical evidence. For example, case studies (cited above) of legislative developments in California, Florida, Hawaii, Illinois, Louisiana, New York, Ohio, and Wisconsin document that (1) unions and employee associations lobbied for state laws supportive of collective bargaining, while employer associations were the major opponents, (2) liberal Democrats supported, while Republicans and conservative Southern Democrats fought, collective bargaining, and (3) in the absence of a strong labor movement (high union density) or political control by liberal Democrats or high interparty competition, unions and employee associations were unlikely to win passage of favorable laws. In short, the statistical and comparative historical findings agree.

Second, despite the temporal lags used in the analyses, critics might argue with Burton and Thomason (1988:27): "the evidence does not clearly

support the view that the main direction of causation is from laws to union growth." Here again, we believe only historical evidence, not better statistical methods, can address this question. Historical evidence suggests that poor wages, mistreatment by employers, and the social turmoil of the 1960s, among other causes, encouraged state and local employees to unionize in the 1960s (Spero and Capozzola 1973; Nesbitt 1976; Lichten 1986). They frequently were opposed by public employers who claimed they had no legal authority to recognize unions or engage in collective bargaining. Consequently, unions and public employees were forced to lobby local and state governments for positive laws granting collective bargaining rights and requiring employers to bargain in good faith. Where they were passed, such laws undermined public employers' antiunionism, legitimized public employee unions, and institutionalized collective bargaining. This interpretation is supported by the coefficient for bargaining laws, which is inconsequential in 1970 but positive and significant in 1984.

Most state governments considered the issues and adopted collective bargaining policies by the mid-1970s. Using our index of state laws for 1975, we categorized the states into five groups (roughly equal to quintiles) based on how favorable these policies were for unionism and collective bargaining. Table 2 indicates that the average level of state and local unionism between 1976 and 1987 increased as the laws became more supportive of collective bargaining. By 1987, states in the most favorable category had an average density of nearly 60%, those in the least favorable category, under 28%.

TABLE 2  
Relationships between Public Sector Collective Bargaining  
Laws and State and Local Unionism

Favorable Laws	Number of States	Percent Unionized				
		1976	1978	1980	1982	1987
High	13	59.9	62.3	63.1	61.6	59.8
Medium high	7	53.2	54.2	54.7	55.4	53.9
Medium	3	47.6	44.2	44.8	42.2	43.3
Medium low	15	37.8	43.1	33.9	31.4	33.1
Low	12	34.3	31.2	32.0	28.8	27.8

Favorable laws also protected unions after employers, encouraged by stagflation and declining government revenues in the late 1970s and 1980s, developed more sophisticated techniques to undermine union power or resist new organizing (Miller with Canak 1995). Table 2 documents that

between 1976 and 1987, on a percentage basis, the erosion of union membership was highest in the least favorable category and lowest in the most favorable category. The actual percentages, respectively, are low, -18.7; medium low, -12.4; medium, -9.0; medium high, +1.3; and high, -2.

The historical evidence indicates, in conclusion, that state public sector collective bargaining laws did not cause employee militancy in the 1960s and early 1970s; they reflected that militancy. The actual nature of the laws, favorable or unfavorable to collective bargaining, reflected mainly the relative strengths and militancy of labor and business as well as party incumbency. Once on the books, state laws helped institutionalize public employee unionism and collective bargaining and later protected both from growing employer opposition in the 1970s and 1980s.

## Endnotes

<sup>1</sup> More complete summaries of the different theoretical approaches in labor relations and public policy are provided in Miller and Canak (1988) and Miller (1994).

<sup>2</sup> The data are part of a large set containing observations on both private and public sector unionization at four points in time: 1939, 1953, 1966, and 1979. See Miller and Canak (1988) for a full description.

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# Special Relations: Public Sector Unionism, Industrial Relations, and the Law

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The state as workplace is an island, so to speak, in a sea of capitalist enterprise. So the study of these institutions is a two-stage task: first, clarifying the peculiarities of the public workplace as the context for labor relations; second, locating a particular public workplace in its larger structural and historical context. This strategy can help us untangle two sources of institutional structure in public sector labor relations: first, relationships which are emergent, so to speak, in public organization; second, those which enact what might be termed the transplanted institutional framework of private sector bargaining.

My analysis is sociological, in that it treats legal and political institutions both as distinctive social relations and as reflections of their larger societal context. This approach is part of a movement in the field of state theory beyond the dichotomy that has haunted it for decades: between the autonomy of the state, on the one hand, and the effects on the legal and political order of other societal institutions and social movements, on the other.<sup>1</sup>

The final part of this paper turns to the role of industrial relations (IR), emphasizing its special relationship to labor law. IR is what sociologists term a professionalized carrier of these institutions; it plays a special role in the diffusion and legitimization of models associated with its own project. So I treat IR as an artifact of the setting that it studies, rather than a conceptual referent for this analysis. And so my analysis concerns not only IR's theoretical adequacy but also its historical role. In particular, I am concerned with the consequences of IR's interventions for the quality of public life in the U.S.

## **Labor Relations in Public Organization**

Everything I have to say about these issues follows from the observation that the public workplace is part of a peculiar ensemble of institutions:

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defined by its relationship to a particular polity, producing what are politically defined as public interests, and regulated by public law. Though rife with political processes, the private workplace is, by contrast, part of an organizational field defined by its relationship to a particular market, producing commodities, and regulated by private property or civil law.

I define public organization as the political solution to the problem of collective action through a monopoly over "the public interest." It is a self-reproducing ensemble of three distinct but mutually interdependent types of institutions: (1) at least nominally democratic structures of governance; (2) public work; and (3) society itself, organized as the consumer or the target of public work. A variety of societal interests are constituted as political interests in the realm of governance, among them public workers themselves. Their movements represent the appearance of public workers as collective political actors.

Power in public organization is always associated with a governing coalition of particular interests, organized around a hegemonic conception of "the public interest" for some polity within a defined jurisdiction. The status and very existence of public workers depend on their relationship to that governing policy coalition and the mission and structure it imposes on the agency or to the agency's governing regime.

Public agencies and public agendas are always framed in a peculiar form: as collective interests and as administrable. These norms are as powerful in public organization—and as defining for the organization of work and labor relations—as are private property and exchange relations in the firm. As both Max Weber (1956) and Robert Michels (1964) argued, these two core principles of public organization—democracy and bureaucracy—are in tension with one another. Each needs the other, presupposes and promotes the other, and yet they undermine one another. So the "publicness" of public organization is chronically subverted not only by the external social inequalities papered over with its proclamation of formal equality but also by the iron law of oligarchy inside political organization itself. It is always tenuous, in perpetual need of what I'll term "reconstitution" through processes of political participation, which reaffirm and redefine shared societal needs and decide how they shall be met. In my view, political participation by public employees can help to reconstitute and sustain the publicness of public organization.

This view of public organization suggests that some familiar labor relations institutions are native, so to speak, to its institutional structure. I am referring to the coalitional politics of political decision making, the ubiquitous participation of public workers along with other "special interests" in the bounded political universe that surrounds every public agency, and to

the relatively nonadversarial tone of labor-management relations in sections of the work force associated with the agency's governing regime; also to the merit system with its promise of formal rationality and procedural justice; and to guarantees of freedom of association and speech, the right to freely chosen representation, and to voice in employment-related decisions.

This view of public organization also suggests that the bases for adversarial relations are very different from the private sector. They lie not in an endemic drive for profit but in the shifting constellation of conflict and coalition building in public life. It also suggests a far more expansive terrain of collective action and conflict than the narrow arena of collective bargaining, including electoral action, policy setting, and budget making. It suggests that the decisive coalitions for union power run at right angles, so to speak, to those so central to economic bargaining: not solidarity in a relatively homogenous labor market, but solidarity among coalition partners in a differentiated political bureaucracy.

In this differentiated realm, public workers like other political actors inevitably face a gap between their private interests and the broader agendas which build viable coalitions. So they face a coalitional imperative: to bridge this gap, to align public workers with viable governance or viable regime change; failure to do so invites political marginalization and defeat.

There are no guarantees in this model of public sector labor relations, though there do appear to be some definite choices, pitfalls, and possibilities. The contradictory core of public organization suggests that labor relations institutions can reinforce both bureaucratizing or democratizing tendencies and that no matter how much they might emphasize one of these, they are always haunted by the other. There is no assurance that opportunities for coalitional power will be similar across different groups or in different historical circumstances, or that a given group of public workers will respond to its opportunities for coalitional power. We can imagine other kinds of governing coalitions empowering various segments of the work force: construction and development functions, law and order functions, or (is it possible?) childcare and education. For better or for worse, though, political conflict over such alternative agendas are the processes that constitute and reconstitute the publicness of public organization.

This suggests some new and perhaps unintended consequences of labor relations institutions that seek either to remove labor relations from the coalitional public realm or to isolate public workers within that realm. Tracing the evolution and implications of such institutions in the American public workplace, though, requires that we locate them in their larger structural and historical context.



## At the Center of the Storm

The political-bureaucratic world of public work is embedded in the larger capitalist political economy upon which public work is performed and within which it is governed.<sup>2</sup> State theorists have traced the fiscal and political ties that bind political regimes to capitalist interests,<sup>3</sup> and urban scholars have similarly stressed the centrality of progrowth policies for urban political regimes.<sup>4</sup> Though these scholars differ on the manner and degree to which state policy is directly determined, there is general consensus that governing coalitions are deeply constrained by the imperatives of governance in capitalist society. While there may be no guarantees that a ruling coalition will enact a progrowth agenda of some kind, there are inevitable sanctions against one which does not, and no one has yet been able to devise a viable regime that fails to do so.

This means that the drama of public employee relations is played out in an arena structured in good part by progrowth agendas and the response to them. The loosely coupled structure of local, state, and federal government is at the center of an ongoing societywide political storm, driven in good part by the consequences of economic growth, crisis, and restructuring. The result is repeated upheaval and political realignment, changing patterns of labor relations in ways that repeatedly catch both scholars and participants by surprise. The political coalitions and countercoalitions that form in this context are major fault lines in political life, determining which groups of public workers are "in," which are "out," when and where and within and between which parts of the work force and levels of government conflict appears, and why it disappears.

The expansive fiscal environment of the early postwar decades was filled with political opportunities, especially at the local level. Construction and development-related functions had been "in" during the glory days of urban development and redevelopment. By the 1960s and 1970s, though, the urban political regimes organized around redevelopment or residential development had summoned up their own opposition in neighborhoods affected by development and in human service systems expanding in tandem with urban renewal and with new neighborhood development. Both producer and consumer interests in the growing social consumption functions—empowered by neighborhood-based revolts against the growth machine—began to flex their muscles. Now both the "ins" and the "outs" among local government workers mobilized—some to sustain their threatened status, some to overcome their exclusion and devaluation. This turmoil, compounded by the racialized upheaval in urban political life in the 1960s and 1970s, destabilized established labor relations. Formerly placid

employee associations, or parts of employee associations, began to demand a place at the table.

Participants in the newly adversarial labor relations of those years required a new strategic frame, or what Charles Tilly (1992) would term a new "repertoire of contention." The collective bargaining model of unionism came conveniently to hand, as AFSCME and other public unions evolved from association-like to adversarial entities, while private sector unions hunted easy dues dollars by offering their resources (and their protection against raids) to increasingly militant associations.

Local government officials seeking to manage these turbulent polities scrambled to preserve or to reconstruct business-centered policy coalitions, often in the face of deindustrialization, while also trying to sustain political coalitions broad enough to ensure their electability. For the Democrats who dominated this scene, this posed the delicate task of securing the support of African Americans without losing white Southern or urban ethnic votes. Small wonder then their interest in limiting the voice and coalitional power of the upstart public service unions, which threatened (in occasional alliance with both white middle-class and minority neighborhood movements) to disrupt that increasingly tenuous (and now, it finally seems, doomed) project.

In this era of contentious local labor relations, novices on both sides of the table struck poses, tried to learn the ropes, and generally groped their way through a time of uncertainty. Uncertainty, of course, is an invitation to expertise, the more prestigious the better. And the experts, of course, were ready: industrial relations scholars, sponsors as well as beneficiaries of the bargaining model rooted in the institutional logic of private employment. They helped to guide the adoption of a great variety of labor laws in public jurisdictions over the subsequent years. These laws were influenced by the interests and political strength of the organizations involved but were mainly modeled on (or took as their starting point) a collective bargaining model which appeared to be entrenched now in the private sector. They were also influenced, however, by fears (discussed below) that collective bargaining might give public workers too much power.

But to everyone's surprise, the new militancy of local government unions eventually proved far less potent than feared. As local government officials like Dianne Feinstein proved in San Francisco by the mid-1970s, capable politicians can outflank any public sector union that fails to align its agenda with some politically viable definition of the public interest. Public officials learned, that is, that when public sector unions press their claims in the terms of private interest and with the weapons of the economic strike, they leave themselves wide open to devastating political attack. That

attack paved the way for the passage of Proposition 13 in California and all that followed and continues to follow, including the new beasts slouching today toward Washington out of southern California and the "New New South."

Some public unionists also learned from these experiences and began to test a model of public service unionism that framed its claims in terms of public interests, appealed to the norms of administrative justice, and relied on political coalitions. But local officials had little time to deploy their new innovation, and public unionists little time to grope for innovations of their own. Political upheaval continued apace, and sudden realignment again completely restructured public sector labor relations by the early 1980s.

Perversely, while the PATCO debacle set the tone for more adversarial private sector bargaining and underscored the beleaguered status of public workers, it marked a transition to far less adversarial relations in state and local government. During the following decade, the main threat to state and especially local government officials would no longer come from urban revolts and upstart public workers but rather from the combined political effects of economic restructuring and the crisis of the welfare state: endemic fiscal crisis, tax revolt from below, and the Republican-led assault from above. Except in those agencies where Reaganite politicians held sway, the new fiscal austerity and political adversity of the 1980s brought labor-management conflict to a halt.

Now state and local government have become a bastion of defensiveness as former adversaries, beleaguered together, joined in urgent coalitions to protect their common budget. Public employees and their organizations emerged as the strongest grassroots bloc in the Democratic party—today's progressive counterpart to the Christian Coalition—and as primary advocates and key coalition builders on behalf of the social welfare state. Immediately after the drop-off in strikes around 1980, a great wave of public worker movements surfaced in defense of public services, usually targeting state government, ballot measures, or budget choices. (Because they proceeded outside the channels modeled on collective bargaining, however, these movements did not appear on the IR radar screen.) As the Reagan recession of 1981-82 drew to a close, these mobilizations subsided, and labor relations centered on political coalition building, intergovernmental lobbying, and budget deals. Over time, despite increasing recourse to contracting out public services, new labor-management coalitions rearranged labor relations behavior once again, in a pattern more similar in some ways to the "association-ate" relations of the 1950s than to the union-ate relations of the 1960s and 1970s. Agency shop provisions multiplied, along with union revenues.

Ironically, it appears that the 1980s brought unprecedented organizational security for public employee unions, while the same years decimated their private sector counterparts. Unions which only a decade earlier had chafed under the imposition of salary formulas now thanked their stars for strike bans, salary surveys, and arbitration procedures which relieved them of the burden of adversarial behavior, while Wellington-Winter-inspired public officials who had imposed these mechanisms now gnashed their teeth, wishing for the strikes of the good old days.

As this overview suggests, actually existing labor relations institutions in the public sector have followed a roller-coaster pattern of change. The adversarial relations that surfaced in the 1960s or early 1970s and subsided by the early 1980s reflected not conventional capitalist labor wars but the urban upheavals of the 1960s and 1970s. Though they did trigger the adoption of variations on collective bargaining law, subsequent patterns of labor relations bore little relation to that model. Rather, they changed (and continue to change) with bewildering rapidity in response to a seemingly endless series of political upheavals in public life.

### **Fear of Public Union Power**

In a longer version of this paper I discuss more fully two IR paradigms, "Wellington-Winter" and "multilateral bargaining." I argue that both are associated with efforts to insulate public sector labor relations from political processes and have helped to set up public workers for the pitfalls and political ambushes of recent decades. In place of the bureaucratic mechanisms and/or bargaining rituals associated with these two paradigms, I endorse a "polity model" of labor relations. Such a model would seek to harness public employee interests to strengthen the publicness of public organization. Public unions would be required to come to terms with their potential adversaries in the public arena, and public officials would be encouraged to develop and deploy their own virtuoso coalition building and agenda-setting skills rather than seeking to choke off communication and contain participation.

### **Endnotes**

<sup>1</sup> For a useful introduction to state theory from the standpoint of industrial sociology, see Adams (1992). See also the promising convergence of ideas in state theory (Jessop 1990), the new institutionalism in organizational analysis (e.g., Friedland and Alford 1991), and autopoietic legal theory (Teubner 1983).

<sup>2</sup> Along with that economy it is embedded as well in a changing gender regime, which I neglect here but elsewhere examine (Johnston 1994).

<sup>3</sup> For a synthetic overview of this literature, see Alford and Friedland (1985).

<sup>4</sup> Key recent paradigm statements are Molotch (1993), Stone (1993), and Swanstrom (1993).

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## DISCUSSION

HOLLY J. MCCAMMON  
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In very different ways, all of the papers presented in this session consider the impact that labor laws have had on the U.S. labor movement in both the public and private sectors. The conclusions of the papers, however, are not in agreement: Paul Johnston argues that public sector policy has hampered unionization among public sector workers, particularly the political effectiveness of these unions. Berkeley Miller and William Canak, on the other hand, find from an empirical analysis that laws regulating bargaining have boosted unionization in the public sector. Finally, according to Michael Wallace and Chris Papaleonardos, labor laws have hindered some forms of strike activity among workers in the private sector. What overall message should we draw from these papers? Clearly, the effects of labor law on the labor movement are complex, and there is no simple answer to the question of whether the law has aided or constrained the labor movement. I will turn to each paper separately and make some specific comments and then return with a few more general comments in considering the question of how the law has affected the labor movement.

Johnston's paper offers an innovative contribution to understanding labor relations in the public sector. From his theoretical model of public sector bargaining, he concludes that there are steps that public sector unionists might take to strengthen their movement. In particular, unionists must recognize that in formulating their goals, they must appeal to the public interest, because as public employees their employment and, thus, union strength depend on public support. Also, public sector unionists must seek out political partners with whom they can form coalitions, because bargaining in the public sector is a political process, and from political coalitions comes greater power.

There is one way in particular, however, that Johnston could strengthen his paper. In its current form, the paper does not supply empirically grounded evidence that indeed these steps have proven useful to the public sector union movement. A series of case studies which illustrate the successes

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and failures of public sector unions that have or have not relied on these strategies would demonstrate the utility of the strategies. It would also offer concrete ideas to public sector unionists about how to frame goals in terms of the public interest and how and where to seek out political partners.

Miller and Canak provide an empirical model of the factors influencing public sector unionization in state and local governments. One of the important contributions of their paper is that they find that laws have helped to build public union strength in the 1980s, net of a number of other factors, such as private sector organizing, employer organizing, and various economic and political circumstances.

Perhaps due to a lack of space, the authors did not provide detail on the kinds of laws that are included in their bargaining law measure. They state that the measure includes laws regulating public sector bargaining. Some of these laws, however, are likely to be quite restrictive in nature. Organizing among state and local employees in some areas stands on shaky legal grounds. For instance, in judicial law not all of the circuit courts of appeals have affirmed the right of state and local employees to organize. A disaggregation of the laws included in their measures, perhaps even a crude categorization of proorganizing and antiorganizing laws, may reveal that in some cases the law facilitated public sector unionization and in others it set up hurdles. Such a step might also explain why the law variable is not statistically significant in the 1970 model.

In an analysis of the impact of labor law on strikes, Wallace and Papaleonardos show that the law has developed to restrict only certain types of strikes—those over control-related issues, not those over wage-related issues. One of the most important contributions of this paper, in addition to its substantive findings, is that the analyses demonstrate that the law matters for industrial conflict. As the authors state, there is a large body of literature on the factors influencing strikes. Very few of these studies consider the role of labor law. These authors show that in the future, researchers studying workplace conflict will have to take into account the role of labor law.

A couple of issues I would like to raise concerning this paper are first, given that in all likelihood the bulk of the laws that went into the construction of the authors' labor law index are laws pertaining to the private sector and that a number of the other measures concern the National Labor Relations Board (NLRB), which deals specifically with segments of the private sector, it seems important that public sector strikes are taken out of the strike series so that the authors are analyzing only private sector strike action.

Secondly, one of the legal measures they use is the number of unfair labor practice cases filed with the NLRB. Such cases do not in actuality present an alternative to striking which the authors suggest is the case in the paper. Many strikes, in fact, occur over unfair labor practices where a complaint is also filed with the board. Also, workers striking over unfair labor practices cannot be permanently replaced, as can workers involved in "economic" or non-unfair labor practice strikes. That fact should help to make it more likely that workers will strike over unfair labor practices. In short, this measure may not be appropriate for the analysis.

Turning back to the general question of the impact that labor law has had on the labor movement, these papers, taken together, provide evidence of legal effects that both facilitate and constrain the labor movement. I believe that future work in this area would benefit from being grounded in a growing body of sociological theory concerning the state and its policies. Labor law clearly is a state policy, and in order to understand the impact that this policy has on the labor movement, a theory of the state and why its policies take the forms that they do should prove useful. For instance, class-based theories of the state argue that members of the employer class will be able to influence policy to suit their interests. The papers here suggest evidence of this. Polity-centered theories of the state, on the other hand, hold that state actors have their own unique institutional agendas. Greater theorizing of the impact of the law on the labor movement could prove a useful avenue for future research.



## DISCUSSION

SAMUEL COHN

*Texas A&M University*

This panel is a somewhat historic occasion, the first session of the IRRA meetings that have been narrowly dedicated to contributions from the sociology of labor. I hope this will be the first of what will be many sessions to follow. As a member of the guild of sociologists and surrounded, at least at the table, by fellow members, I am beholden to praise my coworkers and depict their glorious accomplishments, particularly as they contrast with supposedly inferior work being done by industrial relations specialists. The sociologists are supposed to be masters of both quantitative and qualitative methods and at the same time should bring to the table a vast knowledge of macrosocial and organizational theory that can inform otherwise sterile and empty historicist descriptions. At the same time, these are the IR meetings, I am a former member of an IR department, and IR specialists are rightly fussy that good work should speak to important problems in industrial relations with data grounded in a knowledge of the institutional, organizational, and political context of management-union negotiations. We have one paper that is unacceptable either as sociology or industrial relations. We have another that empirically tests one of the great untested claims in industrial relations theory which was ignored by most IR scholars. The paper is limited by a lack of grounding in the administrative context of IR institutions that is the stock in trade of the IR professional. We also have one paper that makes a brilliant contribution to IR theory by importing a broad range of ideas from political science and Marxist urban theory. Thus the panel ranges from failure to potential to dazzling success.

The weakest paper is from Miller and Canak. IR specialists have seen all this before. The title is, in fact, a rehash of a famous (cited) article, "Bargaining Laws as a Cause and Consequence of the Growth of Teacher Unionism," published in 1985 by Gregory Saltzman. Both the dependent variables and the independent variables appear in all the standard analyses. The twist here is the attempt to combine bargaining laws and unionism into a multiequation model.

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The actual findings have no credibility. Because the unit of analysis is state, the  $N$  for the OLS analyses is 50. In the panel analyses, it is 100. The authors then run a model with 16 independent variables. The problems of data attrition are severe for 16 variables on 50 cases. If each variable was dichotomous and this analysis were done as a tabular analysis, a 16-predictor equation represents a table with  $2^{17}$  or 131,072 cells. In the 100-case analysis, if each variable were in its own cell, this would leave 130,972 empty cells, and this does not allow for any estimation of the period effect. In such an analysis, single observations can have enormous influence on the final results. Trivial measurement errors can turn gargantuan. Modest collinearities can go wild, an issue which is especially problematic if the same variable appears three times (as Democratic incumbency does: once by itself and twice as an interaction.)

Furthermore, in a multivariate model, if  $A$  causes  $B$  which causes  $C$ , including  $A$  with  $B$  will lead to an insignificant  $A$  coefficient if there is no direct  $A$ - $B$  path. The absence of a direct path hardly implies theoretical or substantive unimportance. The number of possible  $A$ - $B$  pairs in these data are enormous: economic development-government size and union strength-new organizing are only two. In both of these, the first variable in some equations is insignificant, but what does this mean?

My recommendations are the following: cut some variables; add some cases, more years, and more detail within states as to which public sector workers are organizing and which are not. Or better yet, do some detailed histories of public organizing in various states and see if historically one sees a connection between these variables and union growth.

Technically, the Wallace and Papaleonardos paper should have all the same problems. After all, Miller and Canak had 50 cases in their smallest equations. Wallace and Papaleonardos only have 32. Single time series models have been a staple of quantitative studies in the sociology of unionism, but they have been on the decline since Griffith and Isaacs' (1989) devastating and well-conceived critique of the method. Case attrition only magnifies the problems of Griffith and Isaacs.

However, Wallace and Papaleonardos are probably on to something and possibly something big. The question they are asking is the classic question of the Dunlopian institutionalists: Is it possible to eliminate or reduce overt labor conflict by the implementation of societal-level conflict adjudication mechanisms? The Dunlopian absolutely emphasized the role of national political interventions, as Parsonsian theories of institutional specialization suggested they should have. Furthermore, although much has been written about the Great Labor Peace of 1948-68, very little actual quantitative testing has established the relative roles of industrial relations

conciliation machinery (as opposed to Keynesian expansionism, the provision of a welfare state, the bureaucratization of the labor movement, or the professionalization of negotiating arrangements on the shopfloor) as the factor that produced this peace. A hard finding that national labor relations machinery has a clear effect in lowering strikes would be a key contribution to this debate.

This paper provides only soft evidence. The glimmers of hope come from the fact that most of the measures of legal institutionalization act the same way. Furthermore, since NLRB enforcement is concentrated in large firms, the fact that these variables work for large firms and not for small is a very tidy pattern. Furthermore, arbitration is a relatively clean measure of the institutionalization of negotiations, and this variable behaves as the authors predict it should.

The doubts come from the multiple interpretations associated with the other measures of legal intervention. The number of laws variable is bizarre because it is a measure of flow, not stock. In this model, if a pro-labor law is passed, it has an effect for two years and then has no further effect on strikes. Did the National Industrial Recovery Act lose its impact in 1937?

Union organizational effort is an important variable, but is it a measure of legal environment? Diane Poland's work on union organizing suggests that there is enormous variance in union leaders willing to organize and that parallel unions in different workplaces can either organize extensively or not at all depending on the radicalism of district offers. Piven and Cloward would argue that union nonorganizing has less to do with state repression and more to do with union officers being reluctant to add new members who could destabilize political coalitions within the union itself.

NLRB complaints reflect two opposite factors: (1) the aggressiveness of the NLRB in clamping down on unfair labor practices and (2) the number of unfair labor practices being committed by management in the first place. If this prevents strikes, is it because the NLRB is more aggressively enforcing workers' rights, eliminating the need to strike for basic organizing privileges, or is it because meaner, nastier employers are simply more aggressively pursuing unionists? Kochan, Katz, and McKersie definitely suggest a rising tide of employer aggressiveness in the 1970s and '80s. Strike reduction may have been a function of increasing capitalist anti-unionism once the union-pay differential began to exceed the union productivity effect. In fact, I will go so far as to say that given the enormous body of evidence Kochan, Katz, and McKersie present on this point, strikes were almost certainly reduced by new managerial strategies, and the impact of this needs to be assessed independently. The fact that the law

index survives a crude dummy for "Reagan Years" suggests that Wallace and Papaleonardos' model may be able to survive such a direct test of Kochan, Katz, and McKersie. If this were to be done, this paper would obtain classic status.

The paper that remains is practically a classic now—the Johnston paper. This is a theoretical summary of the main argument of a soon-to-be published book by Johnston. The book contains all of the empirical evidence, which was skimpy in today's presentation. The evidence only involves California, but it is very detailed and very convincing. The theoretical exposition given here, however, is much tighter than anything in the book, and the paper deserves stand-on-its-own publication.

What Johnston has done is introduce something truly original to bargaining theory. He notes that the logic of private sector unionism is completely different from that of public sector unionism. This seemingly dry observation obtains punch when one considers, as Miller and Canak would surely attest, that both in the United States and in most foreign countries the public sector is in the vanguard of the national labor movement and often grows while the rest of the movement recedes.

Public sector unionism is not driven by "economic strength"; it is driven by politics. Politics are driven by coalitions. Public sector unions can rarely ally with growth coalitions, since capitalists are generally antiunion. They can survive only if they can ally with other members of an antigrowth coalition in an economy that permits the granting of concessions without endangering capitalist growth. This means public unions have to ally with a broad left coalition in times of robust economic growth. Failing this, they can survive if they ally with other members of the state to defend the state's share of regional output. Such a coalition can ensure union existence but runs the risk of weakening the organization's capacity to aggressively confront employers on expensive or fundamental issues. That said, half a loaf is often better than none, and the unions who make themselves political necessities for the defense of budgets do deliver benefits to their constituents.

The model is elegant, reasonable, consistent with a broad range of writing in macro and Marxist sociology, and wholly absent from preexisting IR writings on unions and the state. It is an example of the best cross-fertilization possible between sociology and IR. Johnston does not just follow the traditional IR route of immersing in the vivid details of contemporary industrial relations, making oneself up to date on the news but unread in other developments in social science. Johnston does not just follow the useful sociological practice of reading widely, finding some quantitative data on unions, crunching it cleverly, and showing its relevance to Shorter

and Tilly. He combines the merits of both approaches. He immerses himself in the narrative stuff of contemporary labor relations. Knowing all of the contemporary stories cold, he reads broadly in conflict sociology and links a disparate literature to his findings. And in work not presented here, he even thinks about the quantitative implications of what he is saying and runs it through a computer to see if it checks.

If we all were this good, both conflict sociology and industrial relations would be the hottest disciplines in social science.

## **XIV. UNIVERSITY-BASED TRAINING FOR EXPANDED EMPLOYEE INVOLVEMENT**

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### **Training for Labor-Management Programs in the Health Care Industry**

JILL KRIESKY  
*University of Oregon*

Since it was founded in 1977, the Labor Education and Research Center (LERC) at the University of Oregon has provided educational, research, and consultation services to organized workers on subjects contributing to the improved operation of the industrial relations system. Over time, it has moved from responding to labor's requests for training on workplace topics to promoting union education and involvement on such issues vital to their survival in today's rapidly changing economy. During the same period, the issues on which joint labor-management (LM) committees focus have become more diverse. LERC's past, current, and future roles in the development and training of joint LM programs have been shaped by its changing mission, the widening spectrum of joint LM issues, and two other factors: the research and teaching interests of its faculty and financial considerations.

To understand how LERC has defined and developed its involvement over time requires first a review of the history of LERC's program delivery on joint LM programs, then analysis of the changes and influences it reflects. Because LERC's activities in this area have included interaction with a wide variety of local and international unions on diverse aspects of

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employee involvement and LM programs and because space here is limited, this paper focuses primarily on its work in Oregon's health care industry. Activities here are fairly representative of LERC's role in other industrial settings.

## **LERC Training on and in Joint LM Programs since the 1980s**

### *Initial Joint LM Training*

As unions ventured into a variety of joint LM programs in the early 1980s, LERC's faculty observed union locals struggle with their implementation. At the same time, Federal Mediation and Conciliation Service (FMCS) Commissioner Paul Stuckenschneider sought to promote understanding of potential advantages of properly implemented joint LM programs to a broad range of union and management representatives. In 1983, LERC Director Emory Via and Stuckenschneider agreed to coproduce training. They secured sponsorship of the Department of Labor (DOL) Bureau of Joint Labor Management Programs for a three-day conference open to both labor and management. The agenda included separate sessions for labor and management in which they were able to discuss their expectations about LM programs, to air concerns about barriers to true worker participation, and to plan steps for implementation for the joint programs. These sessions were followed by joint sessions in which facilitators highlighted the common and divergent areas of concern.

Following that conference, representatives of Oregon health care unions and management agreed to the need for an industry-specific program which might help the parties jointly address problems, particularly the difficulties brought on by rising health care costs and new cost containment measures. Again LERC and the FMCS secured DOL funding for the training. This time, the initial two-day session, held in October 1985, was followed by a one-day update in July 1986. Each of these conferences was planned by committees including both union and employer representatives. As in the earlier conference, FMCS served as an advocate for joint LM program development, and LERC provided education on both the advantages and obstacles facing the participants in the programs.

At the same time it was educating some Oregon unionists in conferences with management counterparts, LERC developed courses exclusively for labor participants which included discussion of LM programs and other employee involvement activities. In the mid- to late-1980s, courses like "Workplace Democracy" and "Quality-of-Work-Life Programs" supplied union leaders and members information on the establishment, scope, and outcomes of joint committee activity. Reflecting the growing use of

cooperative activities throughout the economy, these multiple-week classes were eagerly attended by unionists from a variety of unions.

### *Request for Joint Committee Training*

In the early 1990s, LERC faced new requests for training integral to developing labor-management programs. Health care unions for which LERC had long provided basic union skills classes made these requests. In resolving a strike by SEIU 49 against Kaiser Permanente (Kaiser) in 1988, contract language was crafted to establish a joint labor-management steering committee. FMCS Commissioner Connie Weimer worked with the committee first to define its structure and goals, then to develop training to accomplish them. By 1990 the committee had determined that the multiple workplaces in the Kaiser system needed a strong non-precedent-setting first step in its grievance procedure. To prepare stewards and supervisors to solve grievances at this step, the committee and Weimer asked LERC to conduct joint labor-management contact administration courses.

Later, the steering committee developed the concept of joint worksite committees. These groups consist of equal numbers of management and SEIU representatives, including one steward and top unit administrator. The primary assignments for these committees was to share information on topics of mutual concern and to solve problems jointly on worksite topics such as paper work routing, appointment scheduling, handling high-volume periods, and other issues likely to evolve into grievances. First pilot committees, then committees in work sites throughout the Kaiser system attended one-day training sessions on communications and group problem-solving methods. Oregon Federation of Nurses (OFN), Oregon Nurses Association, United Food and Commercial Workers, and International Union of Operating Engineers locals representing other bargaining units in the Kaiser system have undertaken limited joint labor-management activities and have also employed LERC to teach joint contract administration and conflict management. LERC continued responding to these requests through 1994.

In 1990 management and the American Federation of State, County, and Municipal Employees (AFSCME) Council 75 at Oregon Health Sciences University, the major medical education institution in Oregon, initiated labor-management committee activity with the facilitation of FMCS Commissioner Weimer. In the first years of the cooperative relationship, the parties negotiated new contract language incorporating problem solving and a grievance adjustment board into the grievance procedure. To help establish the new approach to dispute resolution it was advocating for employees, the joint steering committee developed the concept of facilitator



pairs. The assignment to the labor and management pairs was to intervene temporarily to facilitate worksite problem solving on day-to-day issues. In 1992 the committee designed a four-day training session and four follow-up sessions to teach facilitation, communication, and group dynamics and decision-making skills. While much of this was conducted by FMCS and a state conciliator of the Public Employees Relations Board, LERC faculty taught the communications segments in the four-day training in consecutive years.

### *Current Joint LM Activities*

Over the last two years, LERC has expanded its activities to include direct consultation with joint labor-management committees and more intensive classes for unions about them. At OHSU, LERC has established its first consultant relationship with a joint labor-management committee. Because Oregon has designated workforce quality as a major component of its economic development plan, LERC undertook efforts, beginning in 1992, to ensure that new public policy and workforce training programs are worker-centered. In 1993, LERC Director Margaret Hallock received a Oregon Economic Development Department grant to help unions develop educational programs for members. Under this grant, Hallock and adjunct faculty member Lee Schore worked with the Joint Committee on Education and Training at OHSU (AFSCME Local 328) to consider future activities.

Schore assisted the committee in evaluating its current work practices and education programs and in surveying more than 3800 bargaining unit and management employees to determine the education and training needs at OHSU in preparation for ongoing work reorganization. The committee has identified two broad areas of needs: technological upgrading on personal computer use—specific software applications and network capabilities—and decision-making skills for independent and group problem solving. With Schore's assistance the committee will prepare curriculum for these courses and will work with instructors in its implementation. Based on this and a second (non-health care industry) case, LERC is writing a manual for unions on how worksite committees can establish work-based education and training programs.

LERC's teaching about joint labor-management programs has evolved as well. It continues to sponsor conferences to establish a network of unions and their employers involved in LM programs and to promote dialogue between the parties about changes in labor-management relations in recent years, about causes of success and failures, and about new strategies and topics for joint committees. Together with FMCS, DOL, and state

agencies, LERC sponsored the first and second Governor's Conferences on Joint Labor-Management Initiatives in 1989 and 1993. It will again be a sponsor for the third such conference scheduled for fall 1995.

In addition, LERC has increased in number and depth the courses available exclusively for trade unionists. In 1994, LERC twice offered "Unions and Joint Labor Management Programs," a multiple-session course designed to equip leaders and members to develop union goals and strategies for their participation in LM programs, to prepare contract language consistent with the goals, and to participate effectively in committee meetings. Both classes and a recent one-evening follow-up drew participants from diverse industrial and service sector unions, including health care locals. LERC has provided similar instruction in other formats to postal workers, paper workers, state employees, and office and professional employees since 1993.

In the future, LERC is likely to develop its consulting and teaching roles further. It may participate in grant development with the OHSU-AFSCME Joint Education Committee for Department of Education Workplace Literacy funding to continue their worker-centered education programs. There is also a potential role for LERC in delivering some of the training on specific communications and problem-solving skills recommended by the committee's survey results.

Another future possibility for LERC's involvement in joint labor-management committee activity again involves Kaiser and its OFN local. In their 1993 contract, the parties negotiated language on injury prevention and the establishment of a joint ergonomics committee for dental hygienists. At this date, LERC faculty members Steve Deutsch and Steve Hecker are preparing a grant proposal to Oregon OSHA for training of joint labor-management safety committees. They propose to facilitate training for the joint committee on ergonomics; to work with a small group in the work force to develop an ergonomics curriculum for hygienists and nurses; and finally, to help with implementation throughout the workforce.

Finally, LERC intends to continue its programming to assist locals' preparation for participation in joint labor-management programs. In addition to repeating and refining its "open enrollment" course, the center is considering requests for more comprehensive, long-term training for locals with a single employer interested in joint committee activity. Through its new "Internal Organizing/Solidarity Building" (IOSB) program, LERC is also exploring a teaching/consulting arrangement with a health care local at OHSU in which developing union responses and strategies around joint committee activity would be an important component of an internal organizing campaign.

## Analysis

LERC's education on and involvement in joint labor-management programs reflect its fulfillment of an expanding mission, its recognition of the evolution of joint LM programs' role in a changing economy, the faculty's teaching and research capabilities, and the financial impact on center operations. It also highlights the problems and opportunities facing labor education centers entering the arena of participative programs regarding relationships with labor leaders and management.

In the early 1980s, LERC recognized that employer interest in joint LM and other EI programs was growing. While labor unions and labor centers had long been wary of the co-optive and/or union-busting potential of these activities, union interest and participation was increasing. LERC's mission statement declared that it would

provide educational, research, and consultation services to workers and their organizations in Oregon at modest cost. . . . The educational offerings are in a broad range of subject areas contributing to a *better functioning of the industrial relations system* and toward improved citizenship education. Research comes from *requests by labor organizations* and faculty initiative and is largely focused on employment related issues [emphasis added].<sup>1</sup>

Thus it was evident that training, which might increase the chances for positive rather than negative outcomes for unions, was consistent with LERC's goals.

But unlike most subjects addressed by LERC training, the emphasis of joint LM programs was cooperative interaction with management to achieve joint goals. LERC Director Via was convinced that the center should pursue an alternative educational format on the topic. He felt that exploring issues surrounding joint LM programs in both "labor only" and mixed labor and management groups might enhance unions' understanding of the potential advantages and pitfalls.

The structure through which LERC delivered this training was important in satisfying three other concerns it faced in choosing to address the new topic. First, securing DOL funding for the conferences assured that the "experiments" would not have a negative financial impact on LERC if they should fail. Second, because FMCS was identified as an advocate of joint LM programs, LERC was able to fashion its role as one of a neutral educator. This satisfied the need to assist those unionists enthusiastic about participation while still acknowledging the potential problems.<sup>2</sup>

Third, because its role was as an information provider, not as a consultant, LERC obviated the need to address a series of questions facing labor

centers establishing a role in LM programs: How committed are the parties to the joint activities? Is this important for the center to evaluate? Shall LERC serve as union advisors while providing joint training? What role will LERC play if the joint efforts threaten to break down? What are the consequences for LERC if jointness fails?

As committees in the health care industry became established, LERC received requests for involvement in joint committee training. Its responses to them continued to be consistent with its mission, the current status of joint LM programs, the faculty's capabilities, and financial considerations. However, by this point (in the late 1980s), there had been changes in each of these factors.

In 1988 under Hallock's direction, LERC revised its mission statement to include

[fostering] creative and critical thinking among labor leaders by *providing relevant information, new knowledge, and training in skills necessary for success in a changing economy and workplace*. LERC offers research, education and training in a broad range of subject areas that contribute to a better functioning industrial relations system [emphasis added].<sup>3</sup>

SEIU 49 and other Kaiser-based locals and AFSCME Council 75 were long-time participants in LERC programs. Their requests for skills training for participants in joint committee activities were clear evidence of advances in the development of LM programs and a major change in the health care workplace. The request appeared consistent with the new LERC mission. In addition, LERC had new capacity to respond to these requests. Bill Fritz, who joined the faculty in 1988, specialized in communications and group decision-making process training and was enthusiastic about the opportunity to instruct in these areas. Finally, the Kaiser/SEIU program in particular promised to be a long-term commitment that could provide the center with a considerable source of funds for its budget.

LERC also recognized the need to define clearly its role if it chose to operate within a joint program. Central to the discussion of that role were the same questions regarding the parties' commitment, the center's role as advisor, and its responsibility to the process of joint activity. The LERC faculty answered these questions by defining its role narrowly. It agreed that if unions initiated the requests for training in our areas of expertise for their joint committees, LERC would provide it. The faculty would not take on the responsibilities of facilitating joint committee meetings or serving as committee advisors. Further, the faculty believed that separate meetings/classes with the union leadership to consider union goals and strategy in



joint LM programs should be a prerequisite to joint classes. It would then be the union's responsibility to assess management's commitment and to foster or inhibit the process of joint decision making.

Efforts to follow these guidelines proved problematic. LERC's statewide reputation as a resource on workplace issues brought requests for education from employers seeking to initiate joint LM activity. Because the LERC instructors taught facilitation skills and were acquainted with the programs and its participants, parties including Kaiser and SEIU 49 enlisted their help in resolving joint committee problems. Attempts to set up strategy-building classes with SEIU 49 failed, and the joint training proceeded. Likewise, the AFSCME leadership, who had attended various training on joint programs, did not participate in such training.

The developments in LERC's relation to and training on joint LM committees in the last two years primarily reflect LERC's growing recognition that, on many issues important to workers in the changing economy and workplace, LM programs have evolved into the vehicle for taking action; and it's intensified commitment to promoting labor's action on such issues. Faculty skills and institutional needs still influence LERC's activities as well. These same considerations guide short-term plans for the future.

LERC recognizes that with technological change and increasing competitiveness within industries, the areas in which unions can promote joint LM activities to benefit their members have broadened beyond workplace problem solving. They include worker education and training along with health and safety and work restructuring, all topics critical to the future of union workers on which LERC faculty has expertise. Equally important is the increased emphasis LERC has put on its mission of "[*fostering*] *creative and critical thinking among labor leaders*" [emphasis added], which has moved faculty to encourage union participation on joint committees addressing workplace change issues. Lastly, state and federal agencies have increased their support for innovative joint LM programs which offers LERC the possibility of funding for expanded activity. OEDD funding has allowed LERC to employ the expertise of Hallock and Schore in fostering union activism in a joint committee on the topic of worker education and training. An Oregon OSHA grant could allow for similar involvement by Deutsch and Hecker in health and safety.

In these cases, LERC places itself in the role of consultant to the joint committee. Because both issues being addressed by joint committees are critical to union members' secure future in the workplace and because their roles are largely defined by their expertise on the substantive issues which the committees are examining, LERC has actively pursued involvement. Still, the fundamental questions of the parties' commitment, LERC's

role as advisor, and its responsibility to the process of joint activity remain unresolved. Given the difficulties in abiding by the earlier, narrowly-drawn policy and the more immediate contact with the committees, satisfactorily answering these questions is important to LERC's ability to define and pursue successful consultation with joint committees.

As in the past, LERC's current and future directions in training for local unions on joint LM activities appear more firmly rooted in its lifelong mission of providing unionists with the education, consultation, and research necessary to achieve "better functioning of the industrial relations system." As LERC intensifies efforts to "foster creative and critical thinking . . . for success in a changing economy and workplace," its more substantive and more frequent courses for individual unions and multiple union groups will better prepare unionists for more effective use of joint programs. Through IOSB and longer-term relationships on this topic, LERC hopes to further fulfill this mission.

The present and future programming envisioned will undoubtedly return the center to the same questions about its potentially conflicting relationship with joint committees. If LERC is to play a central role in unions' decision to develop strategies and to participate in joint LM programs, it must recognize that both labor and management will want to consult with this important influence on the process. Because the center is dedicated to fostering union action on crucial topics now handled by joint committees, it will undoubtedly continue to debate, experiment, and revise its relationship with them to forge satisfactory answers to those questions.

## Endnotes

<sup>1</sup> *Labor Education and Research Center, University of Oregon, 1977-1987; Special Tenth Anniversary Edition, 1986-87 Report*, p. 1.

<sup>2</sup> LERC was also providing some "union only" training on the joint LM programs in the 1980s. This was an important factor in the Center's determination that it was addressing a sufficiently wide range of unionists' needs on the topic.

<sup>3</sup> *LERC 1988-89 Annual Report*, p. 2.

# Educating for AT&T, CWA, and IBEW's Workplace of the Future

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In fall of 1992, AT&T, the Communication Workers of America (CWA), and the International Brotherhood of Electrical Workers (IBEW) bargained a remarkable agreement designed to increase both union and worker participation in business decision making. This agreement called for the creation of the Work Place of the Future (WPOF) based on a brief set of principles and four structures or "components" to provide worker and union input at different levels. Although training is mentioned in the contract language only as one of several items over which the unions and management must reach agreement, the parties recognized that training would be an integral part of the implementation of the contract language. Thus in early 1993 the parties jointly selected the Labor Education Department at Rutgers University as educational consultants to develop and aid in the delivery of education or training programs that would support the new joint efforts.<sup>1</sup>

## **Workplace of the Future**

As described above, WPOF created four sets of structures operating at different levels. At the highest level is the Human Resources Board (HRB), which includes the top leadership of CWA and the IBEW; several AT&T executives; and a member of the board of directors. The HRB deals with strategic HR issues; at the time of this writing, the board has met three times.

At the next level are the various Business Unit Planning Councils (BUPCs).<sup>2</sup> Members of BUPCs include the top executives and representative line managers from the business unit, presidents of local unions representing significant numbers of workers in that business unit, as well as representatives of the national unions. In terms of function and activities, BUPCs are the primary forum for proactive union input into business decisions.

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They also provide support for WPOF activities at the workplace. Thus far, the Rutgers team has worked most extensively with these groups, helping to develop WPOF implementation strategy and to design the education and training initiative that will support the change process.

At the lowest but certainly not least important level are the "workplace models." These are probably the least defined element in terms of the contract language. They are to be joint labor-management efforts aimed at transforming the workplace. The contract lists some possible examples of models (including "employee participation initiatives," self-managed teams, continuous quality improvement efforts) but makes clear that these are merely possible examples. Additionally, the models are to be "focused on quality, customer satisfaction, quality of work life, and competitiveness in the marketplace." Work teams (which, in fact, range from natural work groups to national-level task forces working on particular process problems) are the ultimate audience for the education program Rutgers has helped to develop. The program has been delivered to a number of these groups in the one business unit that is the furthest along in the WPOF process.

The final structure is known as the Constructive Relationships Council (CRC). The CRC represents an attempt by the parties to deal with the problem of integrating collective bargaining and the new, joint participative processes. (For a discussion of the importance of such integration, see Kochan, Katz, and Mower [1984] and Eaton [1994]). Representatives to the CRC are the principal bargainers from both sides of the table. Any program, policy, or practice proposed at either the workplace or BUPC level that collides with the current contract is to be brought before the CRC, which is authorized to establish temporary "shelter agreements" that allow the new practice to exist alongside the contract. The parties appear to agree that the ultimate goal is for the CRC to be the mechanism by which the contract becomes a living document, subject to continual revision as needed without totally decentralizing or fractionalizing the bargaining process.

## **The Curriculum**

It is important to be clear that although a standard curriculum has been developed, that curriculum is intended to be adapted to the needs of each business unit. While theoretically that could result in the delivery of a substantially different program within different BUs, in practice that is unlikely. First, the unions are quite adamant about basic consistency across units. And as a practical matter, all new BUPCs use the preexisting curriculum and materials as a starting point in developing their education program.

The standard curriculum, then, is a three-and-a-half-day program.<sup>3</sup> The process of delivery shifts back and forth from short instructor presentations

to small group activities. A guiding principle of the program is that it must model the behaviors and principles of WPOF. These include the valuation of every participant's knowledge and the centrality of "interactivity." In practice, interactivity has meant dialogue (or multilogue) across a number of traditional demarcations of authority and communication: between bargaining-unit members and management, within the management hierarchy, within the union hierarchy and where appropriate, between the two unions. Thus small group activities are typically designed to include a maximum mix of individuals representing different occupations and hierarchical levels. This design element, which we view as absolutely essential, has also been the most difficult for our codesigners (see section on the design process below) and the participants to assimilate.

In terms of content, the underlying framework and explicit organizing principle of the program is a stakeholder model. That is, WPOF is presented as a program that seeks to recognize, value, and balance the needs of the three primary stakeholders in the business: the shareholders (represented by management), employees (with their unions), and customers. The parties to WPOF, at whatever level they are operating, must seek to maximize outcomes for each of these stakeholders as measured in the language of AT&T as economic value added (EVA), people value added (PVA), and customer value added (CVA). This is both the framework for understanding WPOF itself and for the curriculum as a whole. Thus the first day introduces participants to this framework.

In addition, the first day includes an introduction to systems thinking and the notion of interactivity. Participants also review the contract language and discuss why the parties bargained this language and what each hopes to gain through WPOF. Typically, the business unit's "ideal future" is presented briefly at this point. The ideal future represents a set of shared "targets" in areas such as "business focus, customer focus, employment security, empowerment, planning and information, and workplace spirit" that are intended to be practically obtainable. It has been one of the primary mechanisms for implementing WPOF at the BUPC level.

At this point, the program turns to one of the more difficult-to-manage portions, an examination of obstacles to implementing WPOF. This is accomplished through dividing the participants into management and bargaining-unit groups and then having them meet separately to discuss what they as a group must do in order for WPOF to work effectively and what the other group must do. While there is often some resistance to dividing up in this way, we have learned the hard way that the parties need time to ventilate about the past. Further, conceptually, WPOF is not a "one-big-happy-family" program. Rather, it and the training involve recognizing and

respecting different interests. There are also several positive outcomes of these sessions: underlying issues are surfaced and dealt with in the open, diffusing some nascent tension, and participants are often pleasantly surprised that the lists generated have much in common.

The second day is designed to enmesh the participants in the stakeholder framework. The morning focuses on the shareholders interests and the business environment in which those interests as well as the other interests are being met. Although the bulk of this section involves small groups in analyzing data regarding AT&T's financial performance, its business strategy, and competitors, the day begins with an explanation of EVA.<sup>4</sup>

The second half of the day turns to the employees and union as stakeholders. This was in many ways the most difficult piece of the program to develop, at least in part because we felt that it needed to serve many potentially contradictory purposes simultaneously: to think through the interests of all employees including managers; to educate as deeply as possible about the structure, philosophy, goals, and tactics of trade unionism in the United States and of CWA and the IBEW specifically; to educate about the current industrial relations system in the U.S. and the nature and sources of its limitations; to sell the audience, particularly the managers, on the potential value that the union adds to its members, to the firm, and the economy as a whole; and to help the audience think through the intricacies of developing the union's role in business decision making.

Early on in the developmental and piloting process, it became clear that we were alienating some managers. We were seen as being very critical of the company in the "business" segment of the program and not critical at all of the unions and, hence, were labeled as "too pronunion." Whether or not this was accurate or "fair," we recognized it as a problem. We also had some conceptual difficulty with this piece as focusing on both employees and the unions, recognizing that this was an important distinction, though one that unions don't always care to acknowledge. The segment, as it has evolved, deals with most of these issues and is, we believe, quite powerful.

The segment now begins with an exercise in which individual participants first list what they want out of their work (e.g., good pay, opportunities for advancement, satisfaction), and then small groups develop consensus rankings of the most important rewards of work or, to keep our language parallel, interests workers have in the employment relationship. This provides an opportunity to discuss both the commonalities and differences across occupational groups *and* the process of intraorganizational bargaining among interest groups, which is a primary and difficult union function. This latter discussion provides a bridge to the next section which is a "lecturette" on trade unionism.

This section consists of an instructor-focused presentation on the philosophy, goals, values, and strategies of independent trade unionism as an international phenomenon. We attempt to sharpen distinctions between the overall goals of trade unionism, to which most people can subscribe, and the current means or tactics and behaviors of any particular union organization. We discuss, as we do with the corporation, how union strategy, tactics, and structure flow in part from the environment in which the union finds itself and how that environment is under pressure. Finally, after a brief presentation on CWA and the IBEW, the small groups go back to work examining a particular worker interest, the success of traditional union tactics in meeting that interest, and potential alternative strategies and tactics for meeting that interest. This final exercise enables participants to critique current union approaches to meeting goals but asks them, as they must also do when looking at the business, to put themselves in the shoes of union leaders and develop alternatives to those approaches.

The third day flows directly out of the second. In the morning the theme returns to employees and PVA, and small groups brainstorm potential measures of PVA based on specific interests of employee groups. Next, the program turns to the customer and CVA. This piece is one that must be designed by the particular business unit. Its essential thrust is the same as the employee piece immediately preceding it—that is, identifying specific customer interests and thinking through their measurement. However, these tasks must interrelate with a business unit's preexisting customer focus as structured through its quality management system. This segment also becomes an opportunity for discussion of the relationship between that system and WPOF.

All of the preceding themes and issues are then tied together through the presentation of and small group work on a case study of Eastern Airlines as presented in the film "Collision Course." Among other things, the case makes real many of the issues that up to this point had been largely theoretical.

To close out the program, participants are introduced to some tools for working together in the future and then begin work with their actual WPOF teams. Specifically, through a brief instructor presentation, a "win-win problem-solving" approach is introduced that emphasizes the clear identification of stakeholders (to the team and/or its mission), the stakeholders interests, and options for maximizing those interests. Participants then practice using a case developed for this segment. Teams then set to work on predetermined tasks such as developing their own norms and expectations or ideal future and interactive action plan.

## **The Development Process**

From the beginning we have tried to reflect the principles and structures of WPOF in the program development process and to ensure that that process contributed and at times drove the overall organizational change process. This strategy reflects our commitment to an educational philosophy that includes not only participative instructional methods but participatory design. (See Schurman, Silverstein and Richards [1994] for further elaboration of the underlying philosophy and theory.) Thus at all times we have attempted to codesign the program as much as possible. In the beginning the Rutgers group met frequently with a joint union-management advisory group that crossed business units. Fairly quickly the development process moved down to the BUPC level. Here one Rutgers staff person has typically worked with a joint union-management BUPC education subcommittee. In most cases a somewhat abbreviated program has been presented to the BUPC itself. The Rutgers group has then moved on to working directly with the joint trainers who will actually deliver the bulk of the program to refine the curriculum. This has involved some intensive train-the-trainer sessions and pilots with the target audience.

The codesign process has greatly enhanced the contribution of the education program to the overall change process. For example, in working on the content of the "customer" section with at least one business unit, it became clear that little thought had been given to reconciling and integrating WPOF with the quality management system. Considerable attention has now been given to those issues, and the union (CWA in the case of this business unit) has been gradually integrated into the QMS structures. At a more mundane level, the simple scheduling of pilot workshops was also an important impetus for the parties to appoint bargaining-unit members to national reengineering teams. However, this process has been far from easy. Both management and the unions are accustomed to a very different model of curriculum development, one in which the "experts" go off to their cubicle somewhere and come back sometime later with finished participant and instructor binders.

## **Delivery**

From the beginning there were essentially three competing models for the delivery of the massive amount of education and training: Rutgers would teach it all (which would probably have required us to double our staff); the teaching would be contracted out to labor education centers or other academic institutions as was GM/UAW PEL; or AT&T and the unions would teach it themselves. The latter model has been adopted with Rutgers delivering an occasional local program, principally as a pilot.

This means that each BUPC will have had to identify management and union trainers. Most of the BUs have large training staffs with a lot of teaching experience but typically very little experience facilitating the type of interactive program we have developed. However, some have chosen to use line managers instead. The unions are confronted with a more difficult problem. WPOF has stretched them thin in supplying representatives to the various councils and teams at the different levels. In many business units the training will take the instructors on the road for substantial amounts of time, making it unattractive to unionists holding elected posts.

## Conclusion

The implementation of the contractual language establishing the Workplace of the Future has been extremely complex, reflecting the current organization of the business into multiple units and the involvement of two quite different unions. Implementation, therefore, has been slow but steady. This complexity has been reflected in the curriculum of the training and education that supports this implementation and the design and the delivery of the training. It is probably too early to evaluate the impact of the training, though it is clear that the development process has aided the organizational change effort in many business units. The true test of WPOF and, to some extent, the Rutgers role within it may soon be upon us, as the parties prepare for the next round of negotiations with contract deadlines in fall 1995.

This effort has been consistent with our department's view of its mission, which includes the fostering of workplace democracy as well as the more traditional strengthening of worker organizations. It is also consistent with the research interests of the faculty members involved. Our difficulties have been due more to the sheer complexity and size of our task rather than any deeper philosophical concerns. In particular, because of the scope of the program, it has been difficult for us to avoid getting caught in the many cross-fires: union-management, CWA-IBEW, intramanagement and, particularly, intraunion. Given the continuing disagreement within most unions about the wisdom of joint activities, intraunion conflict may create the biggest challenge for labor centers doing joint work, particularly of this scope.

## Endnotes

<sup>1</sup> In addition to the author, the Rutgers team includes Charles Heckscher, Sue Schurman, and Jeff Keefe; Heckscher and Schurman are the project leaders.

<sup>2</sup> Like most corporations in the early 1990s, AT&T is seeking to decentralize its corporate structure. As such, it has divided itself into more than twenty business units, each

of which operates in a different business segment and has a degree of management autonomy. The unions representing AT&T's workers essentially oppose this strategy for a number of reasons. Not necessarily in order of importance, they fear it will eventually lead to a push for decentralized bargaining by business unit; they see business units actually competing against each other for business, often to the detriment of the workforce; they (the unions) are not structured to provide representation along business unit lines, and at some level, they view it as an artificial division with overall corporate goals still driving management decision making.

<sup>3</sup> Again, the three-and-a-half-day program is designed for workplace teams. Most business units have designed and some have delivered a shorter one-day orientation to union leaders (local officers, chief stewards, and stewards) and managers that closely resembles the first day of the longer training. In addition, it is recognized that any particular team may also need additional training in particular skills depending on its mission.

<sup>4</sup> From the beginning, it has been difficult to decide what pieces of the business to focus this segment on. There is a tension between the need to discuss AT&T's overall performance and strategy with a need to focus on the fortunes and problems of the particular BU. Indeed, the BUs are best suited to present information on their particular business, and such presentations are typically made early on in the BUPCs themselves. For this reason, the standard curriculum concentrates AT&T-wide; this will likely be adjusted through the planning and piloting process within each business unit.

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# Negotiating a “Modern Operating Agreement” at Ford’s Dearborn Assembly Plant: A New Role for Labor Education?

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After the institutionalization of the New Deal industrial relations framework, the task of workers’/labor education in the U.S. became narrowly focused on preparing workers for leadership in labor unions. This contrasts sharply with earlier periods in the U.S. as well as with workers’ education in other countries today, where the mission was more broadly understood to include preparing workers—both individually and as members of worker organizations—to exercise the full rights and responsibilities of citizenship in all spheres of a democratic society.<sup>1</sup> By 1955 when Barbash prepared a report describing the first Interuniversity Labor Education Committee (a forerunner to the University and College Labor Education Association), “workers’ education” was defined as “any planned educational activity which a union undertakes . . . or by any agency other than a union where a major objective is build more effective union citizenship” (p. 3). In Rogin and Rachlin’s (1968) definitive statement, the term “labor education” had supplanted “workers’ education” and was defined as

the branch of adult education that attempts to meet workers’ educational needs and interests as these arise out of participation in unions. It is education directed toward action. Its programs are intended to enable workers to function more effectively as trade unionists, to help them understand society and fulfill their obligations as citizens, and to promote individual development. It does not include training in job skills for the labor market commonly known as vocational education.

With the great benefit of hindsight, it is now clear that the New Deal labor education curriculum, like the New Deal industrial relations framework

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in general, rested on the assumptions, definitions, and structures—both micro and macro—of the American mass production, economic, and organizational system. As the New Deal framework continues to unravel in the face of new developments in global economic and political spheres, American unions face a new set of problems that lie outside the scope of the New Deal labor education curriculum. Over the past decade, labor educators working in union education departments, university labor education departments, and other types of institutions have found themselves faced with demands for providing education and training programs in domains that their own education and training typically has not prepared them.

These demands fall in several broad areas (see Gray and Kornbluh [1990] for fuller discussion). One centers on strengthening labor's traditional source of relative power in the economy—the ability to remove “labor costs” from competition. Labor educators have been a major resource for concepts, research, and education and training on approaches to organizing unorganized workers, mobilizing members, engaging in concerted job and community actions, and applying political influence in the electoral sphere. Another deals with new constituencies (e.g., higher-level union officials, women, and minorities). The second involves help in responding to new employer initiatives for reorganizing production. Both of these areas have challenged the present generation of labor educators to develop new competencies, approaches, and structures in order to provide effective education and training initiatives.

This paper describes one case in which several labor education institutions, along with a management consulting firm, formed an educational consortium to assist a large UAW local and the plant management of a large Ford Motor Company facility who were engaged in reorganizing the production system of one of the world's oldest automobile assembly plants. It was an ambitious undertaking, is still in progress, and has no clear, long-term happy ending. Indeed, the story contains most of the short-term difficulties that have accompanied the majority of such initiatives and, thus, raises many of the education and training issues confronted by unions and by labor educators as they consider how to respond to the challenge of designing “new work systems.”

## **Background and Context**

The Dearborn Assembly Plant (DAP) was the centerpiece of Henry Ford's vast “reinvention of automobile production”—the legendary Rouge Works. A monument to the concept of vertical integration, the Rouge Complex was, at its inception in 1917, a completely self-contained industrial metropolis created just in time to produce the Eagle antisubmarine

boat for the U.S. Navy in World War I. Within a decade, 75,000 autoworkers in three shifts tended the new machines that transformed limestone, coal, and other raw materials unloaded at the great docks on the Rouge River into finished Model Ts and As—along with the “Fordson” tractor—in the span of 33 hours! (Babson 1984; McNeil 1990). At its peak production cranking out jeeps, armored plating, and aircraft engines during WWII, over 100,000 autoworkers were on the Rouge payroll. After the war the workforce stabilized at 50-60,000, building the dream car of the ‘50s, the Thunderbird. In 1964 Ford assigned production of its new Mustang to DAP at the same time that the company began to decentralize its operations and create smaller production facilities. By the late 1970s, employment at the Rouge had fallen to 25,000. During the auto recession of the 1980s, employment fell dramatically to its present level of 16,500.

Since 1941, production and skilled trades workers at the Rouge have been members of Local 600, UAW. Its large size and history of militant progressive strategy made Local 600 a powerful force within the UAW, Ford, and the community, and this concentration of worker power was certainly a factor in Ford’s decision to relocate production outside the local’s jurisdiction. Today at 17,000 active and 16,000 retired (but particularly active) members, the local remains a powerful force in the UAW and within the Ford system. In addition to its 12,500 Rouge members, Local 600 also represents 3,000 Ford workers outside the Rouge Complex and over 1,000 non-autoworkers (primarily in health care) as a result of local organizing initiatives in the mid-1980s. An amalgamated local, 600 is composed of 28 autonomous bargaining units organized on the basis of job classification, geographical location, or employer. Each bargaining unit has a similar structure of elected officials: president and officers, bargaining committee, and district committee representatives (equivalent to shop stewards) allocated by contract on a 1:175 worker ratio. Local officers (president, two vice presidents, financial and recording secretaries, and trustees) are elected in localwide elections and, together with the presidents of each bargaining unit, form the executive council of the local.

This structure makes Local 600 the embodiment of “job control unionism”—one of the most democratic and, at the same time, most bureaucratic institutions imaginable. Shopfloor workers organized strictly according to mass production division-of-labor lines jealously guard their rights against any encroachment by their brothers and sisters in other classifications and punish any leader who fails to follow suit. While diversification outside the Rouge complex has added new members, it has also added substantial demands for service and increased the political complexity of the local’s governance structure. The local’s political culture is a microcosm of

electoral politics. Full-time union positions bring enormous power, influence, and excellent compensation. Consequently, since the onset of industry restructuring and Ford's competitive strategy in the '80s, political competition, always contentious, has become especially fierce.<sup>2</sup> There is a well-developed caucus tradition in the local, and individuals running for office outside the caucus structure typically do not fare very well. The union's composition also reflects Ford's hiring history regarding minorities and women. In 1994 the 2,032 hourly workers in DAP were 61% minority and 8% female, with an average age of 46 and average seniority of 22 years. In the local as a whole, white males are concentrated in the skilled trades units, while African American males dominate the production units. Local 600 has long been a center of African American political power within the UAW.<sup>3</sup>

### **A Strategy to Save the Rouge**

In 1984 rumors began to circulate that Ford would discontinue the aging Mustang and close its oldest surviving assembly plant. This implied that rather than commit the capital investment required to renovate the existing outmoded plant, equipment, (and people) for new products, the entire Rouge complex would be abandoned. Local 600 responded to the crisis by developing a multipronged strategy aimed at keeping work at the Rouge, on one hand, by raising Ford's "exit costs" and, on the other, by helping the company improve the competitive position of Rouge operations. The strategy included member mobilization, working in coalition with community and church groups from the municipalities surrounding the complex and organizing new units to join the amalgamated local. It also included participating in the newly created joint labor-management structures developed during the bargaining cycle of 1982.

Early in this process, Local 600 leaders requested assistance from the Labor Studies Centers at the University of Michigan and Wayne State University, both of which had provided labor education services to the local for decades. In 1985 the two labor centers collaborated to provide a two-day strategic planning session for Local 600 officers and staff. This program formalized the local's commitment to strategic decision making and initiated a planning process that has continued through several changes in local leadership. (See Schurman [1992] and Schurman and Stack [1994] for a description of the general strategic planning approach used.)

Fortunately for Local 600, the Mustang, despite predictions of declining sales, continued to sell at 200,000 units a year throughout the 80s, causing Ford executives to postpone its discontinuation. However, during the 1990-1993 recession, sales dropped sharply; DAP was closed for 22 week-long

shutdowns in 1991 alone to reduce production. Meanwhile, in 1990 Ford authorized \$700 million to redesign and retool the Mustang but made no commitment to build it at DAP. Project SN95 would not only introduce the first Mustang makeover in fifteen years, it would incorporate Ford's accumulating experience at implementing Toyota's "lean production" system. (See Womack et al. [1990] for a description of Ford's adoption of lean production.)

### **A New Product in Exchange for a New Process**

In 1990 as part of local bargaining, Local 600 initiated a joint study committee to explore attracting a new product to DAP. In 1991 Ford management indicated that production of the SN95 was contingent on the union's willingness to renegotiate the local contract to adopt a "modern operating agreement" that incorporated the basic work organization elements of "lean production" (e.g., cross-training, job rotation, team production). Many of these elements had already been initiated in other Rouge facilities and several other assembly plants (e.g., Wayne and Avon Lake). In November 1991 the union signed a "modern operating concept" document pledging commitment to redesign the production process to incorporate such features as team production, job rotation, and pay for knowledge, the details of which would be negotiated later.

In 1984 Lou Calloway became the plant manager at Dearborn Assembly. As Calloway tells the story, he was sent to Dearborn to close the assembly plant but decided to defy the odds and see if it would be possible to win a new product line to replace the Mustang when its model run ended. Approaching retirement, he said, "What have I got to lose?" Famous for his integrity and directness, Calloway quickly earned the respect of the workforce and formed a constructive working relationship with the assembly unit UAW officials. Calloway and several of his key managers began to work with union officials on a joint approach to winning a new product. They juxtaposed formal bargaining on the MOA with joint planning on the broader issues related to winning the SN95 and redesigning production. By the summer of July 1993, as the educational intervention described below commenced, and with less than three months until the launch of the new Mustang, the MOA had still not been completed. The reasons are addressed in the concluding section of the paper.

### **Creating an Educational Consortium**

In 1992, despite the fact that there was no actual MOA—just the conceptual agreement—the parties created a joint training committee chaired by a labor relations manager and union committeeman. The committee

was charged with the responsibility to develop a training plan for implementing the MOA. The committee decided to retain external consultants to help them with the final design of the production system that would be incorporated in the MOA as well as with the education and training programs that would accompany the implementation of the agreement. They solicited bids from a number of management consulting and training firms. At the request of Local 600, the University of Michigan, Wayne State University, and Rutgers University labor education programs formed a consortium and submitted a proposal. The training committee was divided (not on union/management lines) about which proposal to accept. Eventually a compromise was reached in which the committee asked the labor education consortium to work cooperatively with one of the management consulting firms, Dannemiller-Tyson Associates, (DTA) to provide technical assistance, education, and training to the MOA process. DTA has pioneered in the use of "large-scale" education and training interventions to support organizational transformation. In their proposal, DT proposed to conduct a large-scale interactive education event in which the entire 2,200 employees of Dearborn Assembly would participate in redesigning the production system. Labor educators from each university, together with DTA, formed an "external design team." This team worked with the joint training committee to plan the overall redesign effort. The strategy that evolved included the following elements:

1. Separate two-day strategy meetings for union and management officials during which each party clarified its goals, principles and values, and desired outcomes from the redesign effort, and the external educational consultants provided conceptual inputs on the process of organizational transformation, alternative approaches to designing a team-based production system, etc.

2. A joint labor-management two-day meeting, in which the parties shared the results of their separate strategy meetings, identified areas of conflicting and congruent goals and jointly developed an approach to production redesign that they agreed satisfied their interests at least sufficiently.

3. The appointment of a special representative design group to work with the educational consultants and the training committee to plan the large-scale education event. This group was appointed by the parties and included a broad cross-section of the DAP workforce.

4. A three-day, large-scale, interactive educational event aimed at giving all DAP employees a clear understanding of the new product they would build, management's and the union's rationale for the work redesign effort and the MOA, and the opportunity to influence the redesign effort.

5. Extensive follow-up training, commencing immediately after the large-scale event to include team training, leadership training, technical training etc. This training was to be aimed at all employee groups and tailored to the particular skill gaps that the new production system would likely pose. The joint training committee was given the responsibility for needs analysis.

### **Implementing the Design**

The obstacles facing the parties became evident in the separate strategy meetings. On the union's side, tension existed between production representatives who had lived through the 22 weeks of idle time in 1991, believed the company was serious about relocating production, and had come to believe that many elements of the MOA would benefit their members in the form of increased pay and influence on production. Skilled trades representatives knew that their members were extremely unhappy about many of the provisions that threatened traditional geographic and trade lines of demarcation. Nor was there complete harmony in the management group as managers and supervisors wrestled with the potential loss of power and new skill demands implied by the MOA concept. When the parties came together, it was clear that despite obvious areas for mutual gains, reaching final agreement would be difficult. In particular, differences over the question of whether team leaders would be elected by the team or selected by management loomed as a major sticking point. By the end of the joint strategy meeting, the parties had planned the large-scale intervention and decided to go ahead with it despite the fact that they almost certainly would not reach a final MOA agreement prior to the event. They decided to frame the purpose of the three-day program not as educating people about the MOA, as initially intended, but as educating them about the MOA concept and inviting employee input to the MOA.

In September 1993, nearly all 2,200 DAP employees convened at Cobo Hall, Detroit's downtown civic center. Four large halls each seating 500 people at tables of 11 were the primary meeting rooms, while general sessions were either held in a large hall accommodating all 2,200 or broadcast simultaneously in each room on closed-circuit megascreen TV. Each room was led by a team of three facilitators (two from DTA and one labor educator) who conducted all the interactive exercises and facilitated open forums, introduced speakers, and managed question-and-answer sessions. Each facilitation team was assisted by a team of 10-12 volunteer "logistics" staff who distributed handouts to "in-baskets" located on each table, posted flipcharts on the wall as they were produced at the tables, moved around the room with hand-held microphones during the open forums, and in

general handled all the logistics required in order to allow 500 people to participate in small-group activities followed by large-group interaction. Logistics staff in each room were coordinated through wireless headphones by a "logistics czar" from DTA with experience in other large-scale events—though this was by far the largest that the firm had attempted.

The curriculum for the three days was aimed at providing each employee with information about each of the major stakeholders groups who would be affected by their efforts: owners and investors represented by top Ford executives; customers represented by Ford marketing executives; the UAW represented by the Ford Department Vice President, the Regional Director, along with Local 600 and DAP unit officers. In addition, several conceptual segments were included concerning issues related to new production systems. Following these inputs, which took up the first day and a half, the remaining time was devoted to the employees generating their concerns and ideas for successfully converting to a new product and process.

Strict rules were imposed on all presenters. No presentation was permitted to exceed 45 minutes in length. All presentations were followed by "open forums" in which participants at their tables discussed their reactions to the presentation and generated questions to ask the presenters. Given the large size of the groups, it was impossible to address every question on each table's list. Using a prepared "Q and A" plan, facilitators were able to call on roughly a third to half of the tables in each open forum, which meant that over the course of the three days, every table got to participate more than once, and since many questions overlapped, most questions got answered. Each open forum ended with "burning questions that have to be answered in order for you to be able to move forward." Each of the stakeholder groups traveled to each of the four rooms to present their views and to interact with employee/members in open forums (except for a couple that were delivered in general session). At the end of each day the external and internal design teams and the joint training committee met to review the daily evaluations, summarize the themes, and decide whether to modify the next day's plan in light of the feedback. At the beginning of each day a summary of the evaluations was presented in each room by a member of the team.

The event was judged a complete success by participants and sponsors. Both daily evaluations and the final evaluations suggested that expectations had been exceeded and that people were anxious to get on with the business of redesigning the process and building the new Mustang. Orders for the new model were already committed through the 1994 model year based on anticipated production of 140,000 units a year. People were also anxious to get started with the next phase of training.

## The Larger System Intervenes

In October 1993, 35 months after authorization of the SN95 program, the first new-model Mustang rolled off the DAP assembly line—a record in U.S. automotive history. That same month bargaining broke down between Ford and Local 600 over key issues in the MOA: job rotation, election of team leaders, and pay for knowledge. In each case the union wanted more and the company less. As it turned out, while local Ford managers were negotiating with Local 600, executives in the Body and Assembly Division were rethinking their approach to lean production. According to Local 600 and DAP representatives, after taking a close look at their experience in other assembly plants, division executives found that their MOA plants were more expensive and less productive than they had hoped, while one of their traditional non-MOA plants was the most efficient and productive in the system. Bargaining for the DAP/600 MOA was basically taken out of the hands of local negotiators and has been taking place between the division and the Ford department of the UAW. Recently, local officials have been told that agreement on a new MOA framework acceptable to Ford and the UAW is nearing completion and that it will be consistent with the local's position. At the time of this writing, no official document is yet available confirming this information.

## Lessons for Labor Educators

*Demand for education and technical assistance related to new work systems will grow.* As this case makes clear, the question for labor educators is no longer whether to provide education and training in the area of work restructuring but rather what should the content of such programs be and what kind of delivery systems will be most effective. Unions are deeply engaged in the process of workplace change and will turn to other providers if labor education programs do not develop the necessary expertise. The publication (Feb. 1993) of the second AFL-CIO evolution of work report, *The New American Workplace: A Labor Perspective*, with further reports anticipated in the near future, signals that American unions intend to be major actors in the “post-mass-production world.” New educational initiatives supporting this historic policy directive are now under way at the George Meany Center for Labor Studies and in individual unions. The skills and resources of labor education programs in both research and education are vital to the organized labor movement's capacity to implement its policy directives.

*Educational consortia can promote professional development while reducing risks.* The archetypal labor educator in the New Deal system—like the union organizer and field staffer—is a lone wolf who either knows



everything or knows people who do and creates individual relationships with the leaders of unions he or she services. Until recently, most labor educators have had little experience with collaborating either with colleagues in their own programs or in other labor education programs, let alone with colleagues from other professional fields. Working in partnership to design and deliver educational programs in emerging complex areas can be an effective means of learning new competencies, while at the same time improving the quality of the programs offered. (See Schurman, Hugentobler, and Stack [1991]; Schurman, Silverstein, and Richards [1994] and Schurman and Israel [forthcoming] for examples of other educational partnerships.) While the nature and economics of the labor education business will no doubt continue to require most of us to continue our solitary efforts, involvement in these kinds of partnerships can be an effective means of professional development so we can continue our traditional role of making new knowledge available to unions and workers. These new relationships do not happen without difficulty, however. In the DAP/600 case we labor educators learned a tremendous amount from DTA and they from us, but the process was often conflictual as professionals from two quite different fields struggled to understand each other's different values, concepts, and expertise.

Partnerships and consortia can also serve to distribute the potential risks to any particular institution for its involvement in what are often high-risk initiatives where failures far outnumber successes. Transforming large unionized organizations is a highly complex task that requires substantial organizational commitment not simply from the union and employer undergoing the change process but also from those organizations that provide assistance. To that end a number of educational partnerships and consortia are springing up involving labor education centers, various unions separately or in partnership with other unions or with employers, private nonprofit research centers, and so forth. For example, the University and College Labor Education Association is working with the Industrial Union Department of the AFL-CIO to develop educational materials and a "train-the-trainer" strategy for union participation in workplace transformation, intended for use by labor educators and unionists around the country. In addition, a number of university labor education programs have formed consortia to work with individual unions or consortia of several unions to develop research and education strategies related to industry and firm restructuring and workplace transformation.

*Labor educators must prepare to participate in designing education programs at the strategic levels of companies and unions.* The Local

600/DAP case underscores once again how the best efforts by local management and union officials can be affected by the actions of the strategic decision makers higher up in both their organizations. Labor education has historically been a "bottom-up" activity, and thus far, most labor educators' experience with work reorganization has been with local unions at the facility or single small-firm level. As major unions begin to demand and obtain influence at the strategic level, as they must if they intend to have any real effect on the outcomes they care about, labor educators can expect to be called on to participate in designing educational interventions for the entire firm encompassing subjects far beyond our traditional base of expertise. (See, e.g., Eaton's paper in this volume about the ATT/CWA/IBEW Workplace of the Future initiative.) I know of few labor education programs (and very few consulting firms for that matter) today that are prepared to meet the demands of this type of request. Here again, consortia and partnerships can be an effective mechanism.

None of these remarks should be taken to imply that there is no longer a need for the "nuts and bolts" content of the traditional labor education curriculum. Classes in grievance handling, arbitration, collective bargaining, parliamentary procedure, and so forth in fact appear to be undergoing renewed demand as unions seek to rebuild their institutional base. These will remain essential to building effective union institutions and developing capable union leaders. But workers in the future will need much more. Worker and labor educators have a long tradition of developing new educational approaches and methods to assist workers in responding to changes in the economy and in the society. The emergence of "new work systems" presents an opportunity to greatly expand workers' individual and collective voice in industrial governance. For labor educators it presents an opportunity to recover some of the finest traditions of our occupational heritage.

### **Acknowledgment**

The author thanks James McNeil, President of UAW Local 600, along with the others in this symposium for helpful comments on an earlier draft of this paper.

### **Endnotes**

<sup>1</sup> For an excellent recent discussion of the transformation of workers' education in the U.S. from the mid-19th century to the New Deal see Schied (1993:147-80).

<sup>2</sup> In September 1994 a former member of the skilled trades shop committee opened fire on members of the existing committee, killing two and injuring two others (Detroit Free Press, September 12, 1994, pp. 1A, 6A).

<sup>3</sup> For the historic reasons leading to the concentration of African Americans in the Rouge as well as the demographic characteristics of the Rouge labor force see Babson (1984).

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## **XV: NEW DIRECTIONS FOR LABOR LAW REFORM: THE WORKPLACE AND BEYOND**

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### **Labor Law Reform: Taking a Lesson from the Trucking Industry**

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Economic deregulation has transformed the trucking industry over the past fifteen years. Once a stable regulated utility, the trucking industry has become a highly competitive component of the logistics function of the production and distribution process. The industry has split into several distinct markets, divided according to hauling characteristics such as length of haul, weight of shipment, and type of product hauled. While all of these distinctions existed before economic deregulation, the Interstate Commerce Commission (ICC), relying on rate bureaus, assigned common carriers the responsibility of hauling the freight for which they had authority. All carriers now are free to haul what they choose where they choose and discriminate on the basis of commodity type, commodity size, shipment size, and the shipper's volume of freight.

The discrimination according to shipment size affected industry structure. The handling of small shipments ("less-than-truckload" [LTL], defined as less than 10,000 pounds) requires a large, complex system of pickup and delivery and sorting operations. Special designated trucks make many pickups in a confined geographic area and return those shipments to a central terminal. The carrier sorts these shipments by destination and puts them on intercity trucks that haul shipments to distant terminals. At the destination terminal, the carrier sorts these shipments and loads them

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on trucks that deliver them to consignees within that geographic area. This simplified strategy requires a large and specialized workforce as well as specialized equipment to handle each small shipment. The carrier must employ multiple trucks, terminals, and freight docks, and many employees must handle each shipment. They therefore must handle many shipments at once to operate efficiently.

Large shipments ("truckload" [TL], defined as more than 10,000 pounds) allow a more simplified operation. A trucking company dispatches a single all-purpose truck to a shipper, who normally loads a single shipment going to a single consignee. The driver takes the load to the consignee, unloads, and calls his company (or a broker) for another dispatch. LTL requires complex marketing operations, dispatching operations, shipment-sorting and tracking operations, and a dense network of customers in every service area. While TL carriers may benefit from such sophisticated operations and from dense customer networks, they may function without them.

### **The Trucking Labor Market**

For reasons that are not altogether clear, each type of operation functions within a different labor market. While competition is strong in all markets, the sophisticated and capital-intensive LTL operation can pass along higher labor costs to its customers. Wages are significantly higher and conditions significantly better in LTL than in TL, even controlling for union effects (Belzer 1995). The Teamsters Union retains its most credible clout in the LTL market, while it has lost much of its punch in TL, the biggest growth market (Belzer 1994a, 1994b).

The labor market institutions that once sufficed to ensure some measure of equity and efficiency have proved to be inadequate. Wages have fallen and conditions have deteriorated. The TL sector of the industry claims to face a labor shortage so severe that they want the right to hire workers from other countries to drive trucks in the United States (Machalaba 1993; McNamara 1994). Trucking formerly was an occupation with above-average wages and reasonable working conditions, enough to produce a stable and relatively skilled workforce. What produced this reversal in a mere fifteen years?

### **Labor Market Institutions**

Most of us take the Fair Labor Standards Act of 1938 (FLSA) for granted. While the act originally covered only one-fourth of all private sector workers, Congress has amended the act several times. Minimum wage standards now apply to 92% of all nonsupervisory employees (for a history and rationale, see Minimum Wage Study Commission [MWSC] 1981:1-5).

Employees who work for interstate trucking companies always have been excluded from maximum hour standards, as specified in Section 13(b)(1) of the act. When the MWSC looked at the trucking industry and found that 80% of trucking employees were Teamsters, it elected to leave them out of reform recommendations. "Most employees in the transportation sector are represented by labor organizations and over 90% of the approximately 2.2 million transportation workers with exempt status from FLSA overtime pay provisions are employed in the interstate transport of passengers or goods by rail, truck, air, or water. The four major interstate transportation sectors (rail, truck, air, and water) have a long history of determining wages, hours, and working conditions through formal labor/management collective bargaining procedures" (Fritsch 1981:151). However, the MWSC also found that while 90% of mechanics and loaders work under collective bargaining contracts providing for time and a half after 40 hours, all of those not earning overtime premia were in the non-union sector (Fritsch 1981:154). Since this nonunion sector has exploded since deregulation, unpaid time has grown also (Belzer 1995).

According to the MWSC, Section 16(b)(1) of the FLSA exempts trucking because the Department of Transportation (DOT) has the authority to limit hours. This power to regulate hours of service, even though it has never been exercised for anyone but drivers and helpers, has provided a rationale to continue the exemption. The FLSA exemption, however, extends to all employees, including loaders and mechanics as well as white-collar support staff, because the Secretary of Transportation's unexercised power to regulate blocks the Department of Labor from acting. While arguably there is a substantive difference between the Labor Department's interest in regulating the labor market and the DOT's interest in safety, substantial unionization in trucking appeared to provide satisfactory private regulation.

Unfortunately, the commission based this recommendation on old data. Economic deregulation, begun administratively in 1977, became law in 1980, just before the MWSC issued its report. The massive industry restructuring after 1980, bankrupting hundreds of common carriers and creating a new and turbulent truckload general freight sector, reduced unionization dramatically (Perry 1986; Hirsch 1993:287; Belzer 1994a:43). The market also became supercompetitive, putting extreme pressure on driver hours and wages.

### **Labor Market Conditions**

Many scholars have linked the reduction in unionization to the reduction of wages, and the linkage seems accurate (Rose 1985; Rose 1987; Hirsch 1988; Belzer 1994a:50-58). However, were the lost wages rents or

compensating wage differentials (Hirsch 1993)? If they are the latter, trucking employers would not be able to recruit and hire the same quality of employee that they could before wages dropped.

How far have wages dropped, and how far down the queue may truckers have to go to hire drivers? An uneven decline in wages in an industry with limited FLSA regulation may allow some wages to drop below the minimum wage, especially in view of the extra long hours worked. If the effective hourly wage in TL general freight is near or below the minimum wage, then wages certainly have dropped below the effective reservation wage of desirable employees. This especially is likely if one compares 80 hours of work per week in an FLSA-covered industry (100 hours of pay) to 80 hours of work in TL trucking (80 hours of pay maximum, but probably more likely 60 hours since 60 hours is the DOT-regulated maximum).

Within the trucking industry, TL wages are significantly lower than LTL wages. Drivers for national TL carriers (all nonunion) earn a mileage-based wage rate some 43% lower than that earned by the average national LTL driver (all union, if one excludes Overnite, which operates more like a network of regional carriers [Belzer 1995]). While the Teamsters represent most LTL drivers, representation is not universal, and the average non-union LTL carrier pays a wage that is at least 25% less than paid by the average union LTL carrier (Belzer 1994a:51).

Unpaid work time contributes significantly to low effective wages. Non-union TL drivers are significantly less likely to earn wages for all work time, contributing to low hourly earnings (Belzer 1993, 1995). While little research exists on this phenomenon, nonunion TL drivers certainly work many unpaid hours per week. Much, perhaps most, of that time goes unreported and does not show up in anyone's data, since drivers do not log unpaid time.

In 1987 the average nonunion (predominantly TL) trucking employee earned \$13,741 annually in 1982 dollars (Belzer 1994a:57). Assuming a 60-hour work week (probably a significant understatement since 70 to 90 hours is common; see Ouellet [1994:28]), that amounts to \$4.38 per hour. If the FLSA overtime-pay provision applied to interstate drivers, that would drive effective pay down to \$3.92 per hour. Assuming the more realistic 80 hours suggested by Ouellet and myself, the average driver may have made \$3.29 per hour in 1982 dollars, or \$2.63 per hour if one assumes the FLSA standard overtime pay.<sup>1</sup> Compared with an average hourly rate of \$8.54 (1982 dollars) for manufacturing workers in 1987, we can guess that most industrial workers can choose more lucrative occupations.

In Table 1 I present several hypothetical scenarios to estimate hourly wage rates, using 1990 data from Form M submitted by Class I and Class

TABLE 1

1990 Average Annual Earnings of Class I General Freight Drivers, Converted to Hourly Wage Estimates in Current Dollars  
(Alternative Scenarios with and without Section 13(b)(1) Exemption.)

Average road driver		\$33,352					
TL road drivers		\$24,796	N=83 carriers				
Hours per week	Hours per straight-time year	Annual overtime work hours	FLSA overtime paid hours	Annual work hours	FLSA annual paid hours	Straight-time hourly rate	FLSA hourly rate adjusted for overtime
60	2090	1045.0	1567.50	3135.5	3657.50	\$7.91	\$6.78
70	2090	1567.5	2351.25	3657.5	4441.25	\$6.78	\$5.58
80	2090	2090.0	3135.00	4180.0	5225.00	\$5.93	\$4.75
90	2090	2612.5	3918.75	4702.5	6008.75	\$5.27	\$4.13
LTL road driver		\$45,209	N=85 carriers				
50	2090	522.5	783.75	2612.5	2873.75	\$17.30	\$15.73
60	2090	1045.0	1567.50	3135.5	3657.50	\$14.42	\$12.36
Average local driver		\$31,653					
TL local driver		\$23,590	N=33 carriers				
60	2090	1045.0	1567.50	3135.0	3657.50	\$7.52	\$6.45
70	2090	1567.5	2351.25	3657.5	4441.25	\$6.45	\$5.31
80	2090	2090.0	3135.00	4180.0	5225.00	\$5.64	\$4.51
90	2090	2612.5	3918.75	4702.5	6008.75	\$5.02	\$3.93
LTL local driver		\$32,069	N=116 carriers				
50	2090	522.5	783.75	2612.5	2873.75	\$12.28	\$11.16
60	2090	1045.0	1567.50	3135.0	3657.50	\$10.23	\$8.77

*Source:* Interstate Commerce Commission Form M data, as reported on tapes provided by the American Trucking Associations. Limited to carriers reporting separate TL and LTL revenue and reporting driver wages paid and hours worked.



II motor carriers to the ICC as reported on tapes provided by the American Trucking Associations. Note the sizable difference between LTL and TL employee earnings. I use various estimates of hours worked by drivers in each category because no definitive data exist on driver work hours. Between 1977 and 1987, the average per-driver mileage at Class I general freight carriers increased approximately 10%, to 105,148 miles per year. Calculated on a conservative 40-mile-per-hour overall average, this represents 2,628.7 hours per year of driving alone. However, the large national LTL carriers' road drivers operate approximately this many miles, and they perform very little nondriving labor. Drivers for the highest quartile of motor carriers ran between 112,639 and 239,216 miles (Belzer 1990:77-80, 124-125). We also know that 75% of all interstate drivers regularly violate hours-of-service rules, suggesting most drivers work more than 60 hours per week (Braver et al. 1992).

In sum, this research suggests that a significant and growing number of truck drivers may be earning less than the minimum wage. In addition, since these drivers must eat all of their meals in restaurants, their cost of living on the job is very high. When one subtracts from those earnings the cost of living on the road for an average of three weeks at a time, truck drivers have very little left to send home to support their families.

### **The Connection between Institutional Failure and Labor Market Failure**

In the truck driver labor market an instability may have developed in the tension between drivers in very different markets. Although the work is substantially the same, a large wage gap has developed between some drivers and others. The drivers working in the most competitive sector may earn less than the minimum wage. When accounting for overtime, paid and unpaid, earnings in TL may be one-half of average manufacturing workers' wages. Elsewhere trucking wages are much higher—drivers in the unionized LTL sector may earn up to 50% more than the average manufacturing worker. These sectoral gaps could account for the chronic labor shortage reported by TL carriers for the past decade, which both truckers and shippers believe has prevented many TL carriers from expanding to serve their customers fully during the current expansion.

The labor market of the over-the-road truckload driver approaches the unregulated ideal. With the disappearance of economic regulation in the industry, truckload firms face minimal entry barriers (no institutional barriers, very minimal capital barriers) and no restrictions or guidelines on rates. With the decline of collective bargaining (and the virtual disappearance of collective bargaining in the truckload sector), there is no collective

or institutional pressure to support wage rates. Neither institutional nor legal barriers keep wages above the minimum. Unionized or LTL or better-paid special commodity drivers will not choose to enter the TL general freight market. Workers from other industries and occupations, not conditioned to accept these low wages and hard conditions, will not remain for long when they find out what they really earn. Therefore, the trucking industry can expect chronic understaffing indefinitely. In fact, Schneider National currently is hiring Irish workers, MS Carriers is recruiting British drivers with continental experience, and the TL Carriers Council has asked the Labor Department to declare an emergency so they can hire Mexican nationals (Machalaba 1993; McNamara 1994; Associated Press 1994).

### **What Does This Have to Do with Labor Law Reform?**

The trucking industry looks like a case of market failure in the absence of regulatory institutions. In a highly competitive industry without collective bargaining, wages have dropped so low that they arguably no longer provide minimal subsistence for a family.<sup>2</sup>

What if we generalized this environment to all U.S. workers? What if this peculiar environment governed the entire workforce? After all, the language used to justify the FLSA in the first place sounds oddly protectionistic in this global economy within which we live. It almost seems anachronistic to imagine passing a law today with the explicit goal of creating more jobs by creating a disincentive to employ people more than 40 hours per week. Congress passed the FLSA because it declared low wages and long hours (and unpaid labor time) to be "an unfair method of competition in commerce" (Section 2[a] quoted in MWSC 1981:3). It likewise sounds anachronistic today to imagine Congress regulating the freedom of contract of workers and owners, forcing them to pay a minimum subsistence wage.

### **Policy Alternatives**

As the drive to reform labor law to permit workers to choose meaningful representation on the job runs out of steam and as Congress becomes more hostile to private collective bargaining as a key mechanism regulating the labor market, we need to look at alternatives. But first we need to decide what we want our society to look like. I can think of five alternatives.

Suppose the truckload trucking industry's labor shortage springs not from the low wages they pay but from the protective legislation applicable to the rest of the workforce covered by overtime provisions of the FLSA. The data in Table 1 suggest that in the absence of collective bargaining, the

lack of maximum hours coverage may cause effective wages to drop below the FLSA minimum or at least too low to attract a stable workforce. As long as the FLSA remains in effect for most workers, we can expect that chronic low wages in TL trucking will not attract a stable workforce.

First, we can leave things the way they are. Wages will remain extremely low in some sectors, churning the labor market continually and putting workers from the end of the employment queue behind the wheel. Carriers that cannot find workers within the domestic labor market increasingly will hire from outside that market, legally or illegally, as they do today.

As a second option, we could make the rest of the U.S. labor market look more like the trucking industry: repeal the FLSA provisions that provide maximum hour protections. Competition will force employers in some price competitive sectors to race to the bottom, driving their employees' effective wages down. If we repeal these restrictions, the resulting free fall of wages in these sectors would help make trucking employment more attractive. While this would affect the least-skilled workers the most and the quickest, eventually wage cuts may spread throughout the economy. While this might seem drastic, it would make U.S. goods competitive with those from less developed countries and create jobs, albeit at low wages.

As a third alternative, we could make the trucking industry follow the same rules followed by the rest of American industry: extend the full protection of the FLSA. We may prefer this alternative to the first two, since trucking workers would value their time as much as nontrucking workers (accounting for all time, demanding to be paid for all work, and reducing the number of hours worked closer to 40). This would also create jobs because the average road driver effectively works two full-time jobs. While the FLSA might be cumbersome to enforce in such a decentralized and mobile industry, technology exists currently to monitor drivers effectively.

Unionization is the fourth mechanism for regulating the labor market and the one preferred by the MWSC. The utter atomization of truck driver social relations leads to private individual wage contracting which brings levels that are unattractive to suitable workers. If we encourage unionization, we keep government out of the wage-setting process but grant to workers the right to negotiate wages collectively, which will raise wages significantly. If we can successfully encourage collective bargaining (the solution of a previous generation for this kind of labor market crisis), we can make it unnecessary to extend the FLSA to trucking. Finally, if we both extend the FLSA and improve access to collective bargaining, we create a private mechanism with which to police the act and reduce the low-wage pressure.

## How Would We Encourage Unionization?

In order to allow private parties to work out acceptable wages and working conditions, we need to make it easier for workers to join unions and for unions to negotiate contracts. How do we encourage unionization?

The Teamsters would never have built a union without various forms of secondary leverage. The "leap-frog" mechanism developed by Farrell Dobbs in the 1930s would be illegal today. When a carrier's workers in one city joined the union, they refused to unload the carrier's nonunion trucks coming from another city unless the carrier recognized the union in that city as well and unless road drivers also joined. When road drivers saw the benefits of unionization, they carried the message to distant terminals. As each terminal organized, workers could bargain collectively with their management (raising wages and improving conditions) and refuse to unload nonunion trucks. As the process continued throughout the Northern Plains states, the general freight industry became unionized (James and James 1965:98-101). While this process began before Congress passed the National Labor Relations Act (NLRA), the NLRA originally allowed the practice. Since the NLRA declared national policy supported private collective bargaining as the preferred method of setting wages and conditions, it recognized that the employment relationship and the bargaining relationship represent uses of power by labor and management and had as its purpose more evenly balancing that power. While unions may abuse the secondary boycott and we may restrict it accordingly, truck drivers cannot organize themselves without it (James and James 1965:101).

We could amend Section 14(b) of Taft-Hartley to allow truck drivers to vote for a union shop, regardless of the location of their employer's offices or of their own domicile. Federal law clearly recognizes interstate trucking as a national industry, and uneven labor law rules among states creates harmful discontinuities. With drivers spread all over the country, some carriers locate their offices in open-shop states just to avoid unionization. In the truckload section of the trucking industry, the open shop effectively shuts out the unionization option.

Finally, we should allow truck drivers to select representation by card check. Since drivers travel all over the country in their work, a union cannot conduct a meaningful election campaign.

## Conclusions

In order to solve the labor shortage problem in trucking and allow the industry to reach its full potential, we need to help the market to clear. What are the alternatives?

- We can keep the current system with its unevenly low wages and market instability.
- We can repeal the maximum-hours provisions of the FLSA so everyone's effective wages drop low enough to make the TL labor market competitive.
- We can continue to allow TL carriers to hire foreign labor, either legally or illegally. In other words, we can recognize that the domestic market does not work and allow carriers to hire low-wage foreign labor directly to circumvent the market.
- We can extend the FLSA maximum-hour provisions to trucking employees, bringing their wages and conditions up to the standards enjoyed by other U.S. workers.
- We can encourage collective bargaining by making it easier for trucking employees to unionize and bargain contracts with employers. Current labor law makes widespread expansion of unionization impossible.

## Endnotes

<sup>1</sup> It is very difficult to estimate real earnings for real labor time using the crude data available. In these calculations I have used average annual earnings of full-time-equivalent employees of Class I intercity general freight trucking carriers. I multiplied hypothetical hours-per-week estimates times 52.25 weeks per year and divided average gross earnings by the number of hours worked. To arrive at hourly wage estimates corrected for overtime (as if these employees were covered by the FLSA), I changed 60 actual hours to 70 paid hours (40 hours straight time, plus 20 hours at time-and-one-half) and changed 80 actual hours to 100 paid hours. The exceedingly long hours worked by truck drivers magnifies the effect of the overtime exemption.

<sup>2</sup> The nature of the work exacerbates the problem of below-subsistence wages. With irregular hours and long periods away from home, it becomes very difficult for the spouse left behind to go to work. The spouse at home in effect becomes a single parent, assuming all child rearing responsibilities and limiting work options. Therefore, if the primary breadwinner cannot earn a living wage, the family is reduced to penury.

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# Rethinking the Microeconomic Foundations of Worker Representation and Its Regulation

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Regardless of their views on such substantive issues as labor-management cooperative committees or expedited certification of unions, most participants in the current debates over collective worker representation share a powerful, unexamined, and often unarticulated assumption: that collective worker representation and worker-management relations generally should mainly concern the relations between a particular employer and its employees.<sup>1</sup> In this essay I examine the economic basis of this assumption, articulate an alternative economic foundation for collective worker representation that is better suited to contemporary economic reality, and suggest some ways in which U.S. labor law would have to change in order to support the alternative model.

## **The Single-Employer Asset-Specificity Model of Worker Representation**

In the 1980s, union-sympathetic economists (e.g., Freeman and Medoff 1984) and labor lawyers (e.g., Weiler 1990), responding to orthodox economic criticism of collective bargaining, advanced a powerful microeconomic rationale for worker representation at the single-employer level. Their argument is essentially a labor market application of Williamson's (1985) concept of "asset-specificity." On this view the labor market differs from a classical, competitive market because workers and individual employers make investments in their relationships with one another. These investments may have a variety of sources: firm-specific skills that are worth more to a worker's current employer than to other employers (Becker 1975) or employer attempts to reduce hiring costs or raise work effort through the payment of "efficiency wages" in excess of the market wage (Shapiro and Stiglitz 1984). Regardless of their sources, these firm-specific investments make a worker more valuable to his or her current

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employer than to other potential employers and, therefore, make a long-term relationship between the worker and the individual employer mutually beneficial. Because this relationship is vulnerable to opportunism (e.g., ex post wage reduction by the employer or work slowdowns by workers), it cannot be governed efficiently by the market alone but requires some means (such as collective bargaining) by which workers and employers can agree to limit their opportunism and share the gains from the long-term relationship (Wachter and Cohen 1988).

The single-employer asset-specificity argument for collective bargaining at the individual-employer level is congruent with many of the major labor law doctrines and industrial-union practices that emerged during the post-World War II period. The NLRB's preference for single-employer or subemployer bargaining units, unions' preference for organizing such units, the absence of either legal compulsion or legal support for union or employer efforts to amalgamate units for bargaining purposes, and the legal restrictions on secondary pressures all work to confine collective bargaining to the single-employer level (Wial 1993, 1994; Rogers 1990), which, according to the asset-specificity theory, is precisely where market failure occurs. Wage bargaining at this level is justified because the market only loosely constrains wages for workers beyond the entry level. For the same reason, the market cannot efficiently police working conditions or disciplinary procedures by means of compensating wage differentials; hence these are all appropriate and important subjects of firm-level bargaining. Likewise, because opportunities for economic advancement are largely determined by the internal labor market rules of individual employers, these rules are important foci of bargaining. Because the asset-specificity of the employment relationship grows with seniority, unions and employers are justified in agreeing to seniority-based layoff rules and severance pay.

In the asset-specificity theory, as well as in much postwar industrial-union practice, there is no need for collective worker representation in the governance of the labor market beyond the confines of the individual employer. For example, because allocation of labor beyond the entry level occurs largely in firm-specific internal labor markets, there is no need for unions to be concerned with job referrals outside the firm. Because production technologies have large firm-specific components and are, in both law and practice, within management's discretion, the provision of training is a managerial responsibility; the union's only role in training is to ensure equitable access to internal training opportunities. For the same reasons, unions have no general responsibility for maintaining product or service quality throughout an occupation or industry.



## **From Single-Employer Asset-Specificity to Multiemployer Collective Goods**

Recent changes in the structure of American business have created cross-cutting pressures on the single-employer model of worker representation. On the one hand, the elimination of layers of middle management and the devolution of formerly "managerial" responsibilities to "core" groups of nonmanagerial production or service workers have led some observers to suggest that the single-employer asset-specificity model is more relevant now than ever before. This view is consistent with the recent trend toward decentralization of collective bargaining and the increasing salience of work-site- and firm-level productivity issues as subjects of bargaining (Katz 1993).

At the same time, the long-term employment relationships for which the single-employer model is designed appear to be on the decline. The incidence of long-term jobholding within individual firms seems to have decreased somewhat during the 1980s (Marcotte 1993, Swinnerton and Wial 1995). The economic returns to seniority within individual firms also appear to have fallen (Marcotte 1993). And firms have increased their use of temporary workers, including those supplied by temporary help services (Abraham 1992). These pieces of evidence suggest that there has been a decline in individual employers' willingness or ability to take on the training and labor-allocation responsibilities that the single-employer asset-specificity model presumes are theirs. It may be the case that employers continue to take on these responsibilities for a small "core" of long-term workers but not for a larger "periphery" of short-term workers (Osterman 1988). Alternatively, it may be the case that technological or demand instability at the level of the individual firm make the jobs even of "core" workers increasingly unstable.

In addition, the boundaries between firms are less sharp than the single-employer model assumes. Many activities that were often performed within vertically integrated firms, from the provision of food services to the manufacture of automotive components, are now performed by specialized contractors, but the relationship between contractor and client firm is often a close one. At the same time, firms that formerly dealt with one another at arm's length have formed cooperative, quasi-integrated "network" relationships (Wial 1994). These relationships may require close cooperation between workers who are employed by different firms. Such cooperation may be difficult to achieve unless wages, working conditions, and performance standards are harmonized across the cooperating firms. Network relationships may also give one firm substantial influence over the production technologies used by other firms. To the extent that asset-specificity continues to be relevant to the employment relationship, it may be at

least as relevant at the level of the production network as at the level of the individual firm.

The foregoing observations suggest that collective worker representation should, in some part, shift from the individual employer to the broader labor market. If long-term relationships between workers and individual employers are declining in importance, then individual employers will take less responsibility for training, labor allocation, and the provision of pensions and other employee benefits, since they cannot individually appropriate the returns from their investments in those activities. If a growing need for interfirm cooperation between workers necessitates interfirm harmonization of wages, working conditions, or performance standards, then this harmonization is unlikely to be achieved by firms acting individually. These examples illustrate labor market activities that are "collective production inputs" (Streeck 1991). Despite their benefits to broad groups of workers and employers and to the economy as a whole, they will not be provided efficiently by individual worker or employer action because their benefits are not individually appropriable.

Why should collective worker organizations provide these collective goods or negotiate with employers about them? In mainstream economic theory, collective goods are the responsibility of the government. But general governments are unlikely to have access to the occupation-, industry-, or network-specific practical knowledge that the provision of such collective goods as specialized training or work-performance standards requires. Moreover, not all collective production inputs are equally important for all groups of workers. Occupation-specific training, for example, may be more important for nurse aides than for janitors. Consequently, general governments will be able to provide collective goods only to the extent that those goods are common to all or nearly all workers. Organizations that are more closely rooted in the structure of production will have to take up where general governments leave off.

Why can employer associations not provide collective goods without organized worker input? Historically, U.S. employers have had difficulty in cooperating with their rivals to provide collective goods. Employer associations have generally been unable to prevent some of their members from free-riding on the collective goods provided by other members. The pressure of an outside entity, such as a labor union, has typically been necessary in order to induce cooperation and prevent defection.<sup>2</sup> In addition, the relevant collectivity for a collective production input may not coincide with a set of employers. For example, training and labor allocation for some kinds of work might be best organized on an occupational basis, and different sets of employers may be relevant for different occupations. Finally, worker

and employer interests need not coincide, even though both workers and employers recognize the value of a particular collective good (such as performance standards), so that accommodation of interests through collective bargaining is appropriate.

In practice, the shift from single-employer asset-specificity to multiemployer collective goods as the microeconomic foundation of collective worker representation involves both continuities and discontinuities. Union involvement in the setting of training, labor allocation, and employee benefit policies is an important feature of the latter model but not of the former.<sup>3</sup> In the latter model, unions do not treat the quality of work performance as an individual employer responsibility but instead develop their own performance standards and implement those standards through multiemployer agreements. Collective bargaining over wages remains important in both models, although both its rationale and its scope (single- or multiemployer) differ between models. In both models, unions protect the employment security of their members, but in the collective-goods model this protection occurs more at the level of the occupation, industry, or production network than at the level of the individual employer. In both models, unions protect their members against arbitrary treatment by employers. In the single-employer asset-specificity model, unions accomplish this objective mainly by negotiating procedural constraints on the individual employer's treatment of its employees. In the multiemployer collective-goods model, they accomplish the same goal first by developing procedural standards of fairness that are to apply to their members and then by negotiating with individual employers or multiemployer groups about specific means of implementing those standards.

### **Some Legal and Practical Problems of the Transition**

The multiemployer collective-goods model requires much more in the way of union activity and union-employer interaction than collective bargaining. However, it cannot be implemented without multiemployer collective bargaining and, as noted above, U.S. labor law creates obstacles to such bargaining. Elsewhere (Wial 1993, 1994) I have discussed three kinds of legal reforms to remove those obstacles. First, legal procedures to certify multiemployer worker-management consultation could enable workers and employers to develop common labor standards prior to, or even in the absence of, collective bargaining. Second, legal procedures for the amalgamation of units for negotiating purposes would break the current link between the unit of worker organization and the unit in which bargaining occurs, thereby combining small-scale, flexible forms of organizing with larger-scale bargaining. Finally, some means (e.g., secondary economic

pressure or juridical extension of collective agreements) by which at least some terms of an occupational, industrial, or network-based collective agreement could be extended to nonunion workers and employers would prevent those workers and employers from "free-riding" on the multiemployer collective goods provided by collective bargaining.

The particular bargaining structures that might be established under the multiemployer collective-goods model are difficult to specify in advance, particularly in a period of changing occupational and industrial structures and shifting patterns of interfirm cooperation and competition. Some bargaining structures could be multilayered, with certain subjects bargained at the level of the entire multiemployer group and others considered at the subgroup or single-employer level, depending on the scope of the collective goods involved.<sup>4</sup> (It is in this way that worksite productivity issues could be accommodated within a broader-based bargaining structure.) A variety of legal options for determining bargaining structure, from administrative regulation to voluntarism, might be considered.

There are practical as well as legal obstacles to the implementation of the multiemployer collective-goods model. Unless unions exert substantial economic pressure on employers and are able to provide strong enforcement mechanisms to prevent free-riding, employers are unlikely to accept the role of the union in the new model. Even if the necessary economic pressure and enforcement mechanisms exist, union-employer differences over substantive labor market policy issues (e.g., the breadth of training) are likely to remain. Thus the establishment of multiemployer bargaining and labor market regulatory institutions under the new model may require a great deal of labor-management conflict even though the model, once established, could create a less adversarial industrial relations climate than the single-employer asset-specificity model.

Prior to the Wagner Act, many unions, particularly those with craft or occupational jurisdictions, acted in accordance with the multiemployer collective-goods model (Cobble 1991). Today, however, few unions outside of the construction industry are experienced in performing the labor market regulatory functions that the collective-goods model envisions. Whether contemporary unions are willing and able undertake those functions and to engage in the mix of cooperation and conflict with employers that those activities require is an open question.

## **Acknowledgment**

The views expressed in this paper are solely those of the author and do not necessarily reflect those of the U.S. Department of Labor or U.S. government.

## Endnotes

<sup>1</sup> The Fact Finding Report of the Dunlop Commission (Commission on the Future of Worker-Management Relations 1994), for example shares this assumption. The report's chapter on "Employee Participation and Labor-Management Cooperation in American Workplaces" discusses those issues only at the level of the individual employer. The chapter on "Worker Representation and Collective Bargaining" treats "contingent" work and the construction industry as both descriptive and normative exceptions to a general pattern of single-employer representation and devotes fewer than six of its forty-one pages to those exceptions.

<sup>2</sup> Bourdon (1980) describes the role of unions in inducing competing construction firms to participate in apprenticeship programs.

<sup>3</sup> This may mean that the union directly provides training and job referral services as construction craft unions do. However, unions that have not developed their own expertise in these areas may decide to utilize other providers such as temporary help services. What is important is that the union, either unilaterally or through a joint union-employer board, sets policy.

<sup>4</sup> Examples of such bargaining structures include the Farm Labor Organizing Committee's system of dealing simultaneously with vegetable growers and food processing firms (Daily Labor Report 1989) and Service Employees Local 509's plan for simultaneous bargaining with the Massachusetts state government and state-funded, private social service contractors (Daily Labor Report 1994).

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# Policy Responses to the Growth of Unstable Employment Arrangements: The French and Canadian Experience

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During the 1980s and early 1990s, western industrialized economies experienced an erosion in long-term and stable employment and, concurrently, the steady expansion of irregular employment arrangements. The latter include short-term (limited duration, on-call) hires, temporary help supply industry employment and independent contractors (self-employed persons working for a single corporate client). They also include a share of employment in firms that contract to provide services to other firms because these service contractors perform tasks previously done within the firm and tend to offer unstable employment due to the volatility of their activities. Irregular arrangements include part-time employment only to the extent that the latter entails no benefit coverage and is involuntary. In the United States—where the term “contingent” employment is commonly used—researchers have pointed to the growth of temporary and part-time jobs within firms and in the temporary help supply industry.

Irregular arrangements are forms of employment that differ from year-round (often full-time), stable employment with a single employer and which entail tasks performed on site under the jurisdiction of the employer. This definition of regular employment is specific to the post-World War II period in industrialized economies (Piore 1986). Under these arrangements, the nature of the institutional attachment between employee and employer is sometimes more casual, sometimes entailing an intermediary firm, or sometimes simply entailing no access to firm provided benefits.

For policy analysts in Europe and the U.S., the growth of irregular arrangements has raised concerns about employment instability, its concentration on some worker groups (women, youths, minorities), the possible loss of benefit coverage, and the potential added burden on the public sector of compensating for benefits previously provided under the employment

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relationships. Policy analysts have also considered the possibility that if firms expand their use of irregular arrangements, they may increasingly face the problems they initially sought to avoid when they developed internal labor markets, namely, the deleterious effects on productivity growth of the lack of attachment between worker and firm (Appelbaum and Batt 1994).

However, particularly for those countries which have experienced sluggish employment growth, concerns over irregular arrangements have been couched in terms of a trade-off between job quality protected by existing labor market institutions and job quantity. When considering ways to facilitate job creation, countries have had to consider which worker protections to give up in hopes of alleviating unemployment. (The terms of this trade-off remain hard to quantify.)

A recent OECD report (1994) recommends that policy changes be enacted in such a way that irregular employment (in all its forms) is permitted, that protections for regular (long-term) employment be reduced and that sectoral bargaining structures be amended so as to increase wage flexibility and facilitate job creation. New policies, however, must not act as incentives to the creation of short-term employment by allowing employers to "socialize" the costs of their use of such arrangements—a rather tall order.

Overall, the concern about job creation reflected in the OECD report has overshadowed the exploration of novel solutions to promote job quality in the part-time and temporary jobs that have been and are likely to be the result of job creation incentive policies (along with regular jobs). Moreover, the OECD analysis does not adequately consider the possibility that institutions currently in place may operate to enhance job quality or may be used in such a way.

In this paper I examine examples from France and Canada in which a combination of regulatory and contractual policies indeed have affected and improved the particular employment conditions of workforces in irregular arrangements that are more at risk of unstable employment and unemployment. The two countries have experimented with systems that take account of the tenuous employment relationship inherent in most irregular arrangements.

### **Policy Responses to Short-Term, Temporary, and Part-Time Employment in France**

Since the 1970s, France has taken an approach combining regulation and contractual policy, that is, the government instigation of sectoral bargaining. France has paid significant attention to short-term and temporary arrangements because they grew during the 1970s and 1980s *and* because



they differ from the norm of employment. The latter is a long-term contract of indeterminate duration. Over time, the package of worker protection and benefits has been constructed around this long-term contract. A worker in regular employment is eligible for socially provided benefits; the right to organize and bargain; and specific conditions governing firing, discharge, and in the 1970s, economic layoffs as well. Prior to regulations, a worker being hired for the short term (called CDD, limited duration) or employed by a temporary help agency, worked in a legal vacuum and lost many of the benefits of the employment relationship.

Starting in the 1970s, French policy makers feared that irregular arrangements contributed to the erosion of internal labor markets. They faced a dilemma. Constructing regulation for irregular contracts implied an acceptance of their presence in the workplace. Conversely, discouraging their use by refusing to give them a distinct status and a place in the legal system, left workers in irregular arrangements outside the net of social and labor protection.

Temporary help contracts became subject to regulation first in 1972 and short-term contracts (CDDs) in 1979. Regulations became more stringent in 1982 with the switch to a socialist majority in government. The 1982 regulations tried to do two things at once: (1) to restrict the use of short-term and temporary contracts to nonpermanent jobs and, concurrently, (2) to provide guarantees to workers in irregular arrangements which were similar to those of permanent workers. In the end, they succeeded partly with the second goal but not with the first.

### *What Did Not Work*

From 1982 to 1986, policy tried to regulate the behavior of user firms. Regulations spelled out explicitly the economic situations in which short-term and temp contracts could be used. In 1986 and later in 1989, the government gave up on this close monitoring of use for both short-term and temp contracts. In the environment of virtually stagnant job growth during the 1980s, government policy came to reflect the view that removing barriers to the use of irregular arrangements would facilitate job creation and that an irregular job was better than no job at all.

### *What Remains in Place*

First, the regulations mandated parity of wages and benefits between workers in irregular arrangements and those in regular employment in similar positions. Laws, collective bargaining agreements, and practices, which apply to regular workers and concern compensation and socially provided benefits, apply to workers on short-term and temp contracts. Second, the

operations of temp supply companies are regulated more closely than those of other firms. Since 1972, temp supply companies must purchase a form of insurance which guarantees payment of back wages and social benefits to workers in case of bankruptcy. The ministry of labor also keeps an updated list of dangerous activities where temp assignments are illegal. The temp industry has become more concentrated over time; marginal temp supply companies have been weeded out by the inability to sustain higher costs or by penalties.<sup>1</sup>

An indirect impact of these policies, which have raised the cost of temp contracts relative to short term contracts, is that leading temp services for clerical employment have sought to compete on service quality. During the 1980s they developed market strategies that took advantage of the rapid introduction of microcomputers and of the slack labor market. They have gained an expertise in recruiting, screening, training, and placing clerical workers with a range of microcomputer skills. Temp services have developed short-term training programs well suited to the changing and varied software of microcomputers (Carré 1993).

As an alternative to sustained regulation of the industry, the government initiated a round of sectoral bargaining as early as 1982; the first national agreement was signed in 1985. It was extended to the entire sector's workforce by the ministry of labor, a process that does not require union membership for the workers covered. Over time, agreements have been renewed and their contents expanded. The two temp industry employer federations and the major union federations have participated.

Essentially, these agreements have established a number of industry-wide structures. First, the portability of seniority takes place not only across temp assignment but across temp supply services; this reflects the great fluidity of employment for this workforce. Second, agreements have laid foundations for the creation of peer representation social insurance structures in the industry to administer benefits such as worker compensation or sick pay or supplementary retirement benefits. Third, worker access to some job-related benefits is maintained beyond the duration of their assignment with the user firm. Finally, over time, peer representation structures have handled matters such as access to consumer credit or coordination of industrial medicine services with user firms in cases of high-risk assignments. According to both employer and union representatives, sectoral bargaining has facilitated the handling of a number of problems that are specific to the nature of this industry, such as scattered work sites and a remaining large number of small operators. A representative from one of the employer federations argued that this approach could serve as a model for sectoral bargaining in other sectors involving services to firms.

## **Improving Conditions of Employment in Low-Wage Service Sector Jobs: The Example of Cleaning Contractors in France**

The fast growth of low-wage service employment and the changing nature of these activities has spurred policies aimed at improving employment conditions for the workforces involved. Cleaning and maintenance services were the largest employer among market services in 1992. User firms contract out for cleaning of office space but increasingly for the cleaning and maintenance of industrial facilities and public utility plants such as nuclear plants.

This industry has a bipolar structure, 40 firms out of 9000 capture two-thirds of industry receipts. A few large firms with over 1000 workers have developed specialized cleaning activities, use more mechanized equipment, and conduct some worker training. In 1990, 63% of workers are women and 57% of employees work part time (under 32 hours).

Government policy toward employment conditions in this sector has taken primarily the form of initiating sectoral bargaining and providing consulting services on work organization. The current collective bargaining agreement sets the wage level for the lowest job category in which 80% of workers find themselves near but slightly above the minimum wage level. The central item for successive rounds of collective bargaining starting in 1981 has been the handling of the workforce when a cleaning contract changes hands at a worksite; the responsibilities of the successor contractors have evolved over time. This is a significant issue because the typical cleaning contract runs six months to a year. The successive bargaining agreements in 1986 and 1990 have dealt with these procedures. In the 1990 agreement, 100% of workers who meet stringent criteria are rehired if they have spent 30% of their worktime at the site in question for six months prior to the change. Seniority does not enter into the rehire decision. Though these may seem like generous conditions, numerous workers do not meet the 30% requirement because they work at several sites.

The government has also intervened in the sector through the provision of consulting services from a national agency (ANACT) whose mandate is to promote changes in work organization that improve employment conditions and increase productive efficiency. The agency is often called in by employers, small cleaning contractors; conflicts between management and workers arise when a contractor wins a contract by underbidding competitors and needs to intensify work to break even or make a profit. ANACT staff provide information to be used in a mediation of the conflict. They suggest ways to reorganize work and make it less onerous to the workforce.

As of 1993, sectoral collective bargaining, along with government enforcement of employment standards, yielded some, if limited, improvements

in stability of employment for workforces of cleaning contractors. Improvements were achieved because the sectoral agreement generated ground rules for handling workforce flux in an industry where instability of markets/contracts is the norm. For example, in the absence of universal rules, one can imagine a subsector competing on its ability to lay off workers at the end of each cleaning contract. Sectoral bargaining eliminated the need to reach agreement on an employer-by-employer basis and skirted the difficulties of bargaining unit definition in a sector with ever-changing worksites, employers, and contractual relationships.

### **The Experience of the Quebec Provincial Industrial Relations System with Improving Employment Conditions for Workers in Small Worksites**

Some features of Canadian provincial industrial relations systems have facilitated multiemployer bargaining structures (sectoral bargaining) as a way to provide a uniform "floor" of wage and working conditions in sectors with small worksites where employment is likely to be unstable and for low pay. This section looks at the Quebec juridical extension system which is 60 years old. The system provides an interesting case because it sets a precedent in North America—a country with enterprise-based bargaining—for sectoral bargaining and the standardization of employment conditions within selected sectors.

The decree system allows the extension by the ministry of labor of the basic terms of collective bargaining agreements to employees in nonunion firms in a geographic area (metropolitan area or entire province). This system applies in sectors where there is great risk of firms vying to reduce wages and benefits in order to gain a competitive edge, initially in light manufacturing and increasingly in service sectors. Workers to whom the bargaining agreement is extended do *not* automatically become union members.

When first instituted, this juridical extension system was seen as a way to bring negotiated standards to workforces in firms where bargaining is nonexistent or ineffective. It also aimed to protect the employer(s) who took part in the initial agreement from competition from nonunionized employers.

In 1992 workers employed under the decree system amounted to about 5.5% of total Quebec employment. In 1990 about 12% of *hourly* workers were estimated to be covered by agreements under the decree system. Sectors where decree extension has taken place include some personal services, services to firms, garment, and other small unit manufacturing activities.

Elements of an agreement that can be extended are wages, hours, job classifications, paid holidays, and a few social benefits. Extended agreements do not contain provisions regarding seniority rights, promotions, transfers, layoffs, maternity leave, sick leave, or grievance procedure.

The system, as it has evolved, fosters voluntary multiemployment bargaining in the following way. In the first stage, unionized firms negotiate their agreement under the standard labor code. A second stage of voluntary negotiation follows among employers and unions interested in filing a petition for extension; they determine the contents and geographic extent of the "agreement" (Bernier 1993.) Over the years, the practice has developed of making these initial agreements "conditional" upon later approval of extension by the ministry of labor and verification of the clauses to be extended. The Quebec system has the peculiarity of using peer committees formed with representatives of the parties to the initial agreement to oversee compliance with the terms of the agreement.

By 1959, 20% of nonagricultural employment was under decree; this share declined to 5.5% of employment in 1992. A provincial law on labor standards, which passed in 1979 and sets minimum wage levels in many sectors, has rendered extension decrees somewhat redundant in some sectors.

The decree system appears to have standardized wage levels in sectors concerned, and in spite of calls for its abolition, the provincial government recently chose to maintain it, but with significant amendments. Its broad impact on wage structures within sectors is as follows: (1) wage and salary levels dictated by decree are usually outpaced by effective wages in sectors subject to decrees; (2) wages prescribed by decrees seem to protect primarily the lowest paid workers; (3) wages paid under the decree system are rarely higher than those paid in Ontario, the border province, for comparable industrial sectors. Also, a number of peer committees have created mutual insurance benefits such as pensions that are portable across employers within each decree sector—a valuable benefit in a country with employer-based pensions.

## Conclusions

Taken together, these examples from France and Canada lead to the following broad policy lessons. First, a "floor" of wages, benefits, and employment conditions may be achieved in any number of ways: direct government regulation of employment conditions (e.g., mandated benefits), contractual policy at the instigation of the national government or juridical extension of terms of existing collective bargaining agreements or through a combination of these approaches.

Second, policy approaches build on existing practices in each country. For example, the approach to temp employment in France builds on the tradition of government-initiated sectoral bargaining, even if it tackled unusual topics for bargaining.

Third, portability of benefits and seniority, access to sector-level training institutions, and other means to facilitate worker movement across firms and to reduce the costs attached to such movement can also be achieved in a number of ways: national sectoral bargaining, juridical extension, employer partaking in mutual structures or government mandates.

Fourth, policies that shift the relative costs of respective irregular arrangements do affect firm behavior. The example of French clerical temp employment illustrates that the shift in relative cost of temp workers not only affected decision terms for user firms but also propelled large temp supply companies into innovative practices that entailed "training," the enhancement of human capital of the workforce which they send on temp assignments.

Fifth, policy approaches that seem more useful are those that attempt to construct "equivalent" benefits or protection for workers in irregular arrangements, rather than ones that replicate those for regular workers. In the French temp help industry, industrywide structures address the array of conditions specific to temp employment, from instability, to seniority portability, to access to training and consumer credit.

### Acknowledgment

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### Endnote

<sup>1</sup> Temps and workers on CDDs cannot be hired in strike situations.

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## XVI. POSTER SESSION I

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### Issues in Analyzing Nonnormal Distributions: The Case of Absenteeism

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Nonnormal distributions are encountered in organizational research on absenteeism, accidents, strikes, and grievances. Multivariate normality is assumed if residuals and individual variables are normally distributed. Non-normality may result in heterogeneity of error variance. Problems in statistical analyses of nonnormal data are discussed, and some options available to researchers are outlined. Also emphasized is the need to consider the theoretical definition of the construct in choosing data analytic strategies.

### Worker Attitudes toward Employer and Union: The Impact of Voluntary/Involuntary Part-time Employment Status

JUDITH W. TANSKY AND DANIEL G. GALLAGHER  
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A Canadian study examined the differences between workers employed on voluntary and involuntary part-time schedules. Voluntary/involuntary work status was a significant predictor of extrinsic job satisfaction but was not

significantly correlated with organizational commitment, intrinsic job satisfaction, or union-related attitudes. Voluntary part-timers with longer tenure had significantly more positive attitudes toward their employer and were more satisfied with their union's performance on extrinsic issues than were voluntary part-timers with less tenure. There was no significant relationship between tenure and both attitudes toward employer and union among involuntary part-timers. Reasons for working part-time were also examined.

## Gender Wage Differentials, Discrimination, and Work Effort across Method of Pay

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PER-ANDERS EDIN

*Uppsala University*

We investigate gender wage differentials by method of pay among production workers in the Swedish machinery industry. We find reasonably small wage differentials which are largely unexplained and may be due to wage discrimination against women. We expected but did not find less evidence of potential discrimination under piece rates or incentive pay than under time wages. Instead, marginally larger unexplained wage differentials are found under piece rates. We argue that this result may be due to work effort differences across gender and provide a range of estimates of these effort differences.

## Redefining Japan's Lifetime Employment: Aging Workers in a Changed Economy

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The Japanese principle of lifetime employment has undergone a redefinition process in recent years which has substantially reduced employer obligations to the rapidly aging workforce.

Corporate policy is divided in its support of the principle with personnel practices at many firms producing a "hollowed-out" effect. Public policy urges continued maintenance of the principle within the business community.

The reality is, however, that the shape of the employment system, including the lifetime employment principle, will continue to depend more



upon the state of the economy and the labor market than either corporate or public policy.

## Strategic Human Resource Management Orientation: Development of a Measure and an Examination of Its Correlates

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Widening use of the term "strategic human resource management" reflects growing recognition of the interdependence among business strategy, human resource strategy, and organization performance. Despite this recognition, research progress has been hindered by the absence of a generally agreed upon typology for the classification of functional strategic human resource management orientation (SHRMO). Using data drawn from a survey of 242 personnel and line managers, this research examines the properties of a 24-item instrument designed to classify firms on the basis of their generic SHRM orientation. According to the proposed model, firms can be classified as pursuing either an inducement, investment, or involvement HRM strategy.

## Factors Affecting Workforce Reduction of Bargaining Unit Employees: Evidence from a Regional and National Survey

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KENT F. MURRMANN  
*Virginia Tech*

DANE M. PARTRIDGE  
*University of Southern Indiana*

This study examines the determinants of permanent workforce reduction policies at the bargaining unit level through two surveys of senior labor relations or human resources managers. The results of the study, based on

the responses of managers representing 228 firms, indicate that the extent of bargaining unit reductions was negatively related to the percentage of the workforce unionized, the presence of a major change in union direction, and the existence of a cooperative relationship with the union. Union concessions regarding seniority policies were associated with a more severe approach to workforce reduction, while the presence of strike activity, union concessions on job assignment policies, and union concessions on wages had no relationship with workforce reduction.

## **The Foodworkers' Strike of 1993: A Case Study**

KAREN E. BOROFF AND WILLIAM J. TOTH  
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The largest work stoppage in 1993 involved four major retail food stores in northern New Jersey and the United Food and Commercial Workers Union (UFCW). The labor dispute involved a myriad of issues, ranging from claims of union busting to union recalcitrance. This case raises issues at the forefront of the debate about the balance of rights between management and workers. These questions are suitable for discussion in a variety of disciplines, ranging from introductory or advanced courses in industrial relations and labor law to general management courses investigating the interrelationships between businesses and their respective stakeholders.

## **Paradigm of Successful TQM Training Leading to Successful TQM Implementation**

HELEN LAVAN AND JODI SUTTOR  
*DePaul University*

MARSHA KATZ  
*Governors State University*

This research investigated the factors related to the success or failure of training programs designed to implement TQM. A pilot survey was mailed to Fortune 500 companies that probed organizational policies and practices concerning TQM. The preliminary findings included moderate involvement of HR in TQM programs, heavy use of outside consultants, and top management support. The companies saw a reduction in errors, defects, and waste; improved cycle time; continuous improvement in the use of resources; and increased employee involvement. Moreover, 50% of the companies found TQM highly successful overall.

## Human Resource Practices in U.S. and Canadian Unions

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NORMAN SOLOMON

*University of Windsor*

LOIS S. GRAY

*Cornell University*

Professional union staff have come to play an increasingly important role in North American unions. The effectiveness of this critical resource will, in part, be a function of the relationship between unions as employers and staff members as employees. This study gathered data concerning the human resource policies and practices employed by unions in the United States and Canada in regard to their professional staff. The data suggest that human resource policies are the exception, not the rule, in the unions of both countries and that such policies are more prevalent in larger unions than in smaller ones.

## Differences in Decision Making between Experienced Judges and Inexperienced Judges in Dispute Resolution: The Case of Final Offer Interest Arbitration

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The present study examined the difference between experienced arbitrators and graduate students in making judgments of final offer arbitration cases. The purpose of this comparison was to enhance our understanding of the decision-making behaviors of arbitrators by further investigating previous findings. The main focus of the study was on two issues: comparability and individual differences. The results suggested a reconsideration of previous interpretations. First, there appeared to be no individual differences among experienced arbitrators, while their counterparts consistently

showed individual differences. Second, inexperienced arbitrators placed more on the comparability standards in arbitral decisions than experienced arbitrators. In conclusion, this study raised questions on the validity of previous research in arbitral decision-making processes.

## The Role of Comparable Information in Unionization

ROLAND ZULLO

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A comparison of public sector union density changes among five mid-western states during the 1982-1987 period reveals that unions which have the right to compulsory interest arbitration or strike at impasse have experienced faster growth rates. Further, interest arbitration demonstrates a larger positive impact on union growth than the right to strike. The author argues that the collective bargaining environment under interest arbitration is more conducive to union growth. In particular, this analysis is consistent with the proposition that higher levels of comparable wage data become a valuable tool for union organizing efforts.

## The International Decentralization of Collective Bargaining: Convergence or Divergence?

PHILIP K. WAY

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This paper considers whether the relatively widespread international decentralization of bargaining indicates that convergence has been occurring. First, a framework is developed that distinguishes variations in the outcomes and patterns of decentralization. Second, it is used to contrast the outcomes and patterns of decentralization in the U.S., the U.K., and Australia over the past fifteen years; the common direction of change in bargaining levels has not caused a convergence in bargaining levels nor in the patterns of decentralization. Third, the implication is that explanations must identify common causes and factors that vary between countries and over time.

## Union Climate and Union Activity: Testing a Conceptual Model

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Many factors are involved in the assessment of "union climate." This concept is often used by firms considering different geographical areas for new facilities and is part of their location analysis. There are a variety of macro-level variables included in the analysis of union climate. Some of the variables presently in use have already been analyzed by researchers in the industrial relations field for their explanatory and predictive abilities relating to unionization. At issue is the overlap in the two bodies of literature, which raises questions concerning the relationship of union climate and the process of unionization: What is union climate? How may it best be conceptualized? and What is its relationship with union activities such as unionization? These possible associations are examined, and the relationship is modeled in a variety of different ways.

## You're Leaving? The Price and Mueller Turnover Model Statistically Revisited

CHRISTINE QUINN TRANK AND MEGAN MOWREY

*University of Iowa*

A meta-analysis was conducted on the results of studies that tested components of the Price and Mueller model of turnover. The Price and Mueller turnover model is unique in that it specifies exogenous and endogenous variables that precede affective and cognitive antecedents of turnover. In identifying structural variables critical to the turnover process, the model offers practitioners a means to affect turnover through structural and policy interventions. While a number of the corrected correlations were quite large, a considerable amount of variability among studies remained unaccounted for by artifacts. This, along with often very wide credibility intervals, indicates moderators exist.

## Employee Satisfaction with Employee Assistance Programs

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HUEI LEE  
*Lamar University*

HELEN C. WILLIAMS  
*Conn's Appliances*

The present study examines participants' perceptions of EAP services. Both EAP utilization and perceptions of EAP services are examined. Participants sought help for a variety of problems and viewed EAP counseling as positive in nature. Future directions of research are discussed.

## Gender Differences in Employer-supported Training and Education

TIMOTHY J. KEAVENY AND EDWARD J. INDERRIEDEN  
*Marquette University*

The bivariate analyses suggest that women receive less of the following types of employer-sponsored training and education: support in some form for MBA studies, tuition reimbursement for MBA studies, months of employer training, and perceived supportive work environment. Women reported fewer months of employment after college graduation, fewer hours worked per week, and employment by smaller organizations. The regression analyses reveal that significant relationships between gender and these forms of employer training and development are eliminated when one controls for the nature of the labor market experience. The variable accounting for most variation in most forms of employer-sponsored education and training appears to be organization size.

## How U.S. Chemical Industries Are Addressing the Skill Shortage

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DOMINIQUE BESSON AND SLIMANE HADDADJ  
*University of Lille, France*

The chemical industry is emerging from its recession by a painful restructuring. The skills that firms need are changing, making them acquire skills where flexibility and responsibility are required. A multiple correspondence analysis based on a data set from the 1991 National Association of Manufacturers' survey has been made, showing that firms in this industry do not use the same approach in order to solve the skill shortage. They use actions ranging from reorganization of the internal skill to kinds of "passive actions." The discussion of the results show the firm-level strategic and national economic implications of these different actions.

## **XVII. POSTER SESSION II**

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### **Trends in Pension Plan Types: A Model and Discussion of Human Resource and Capital Market Issues**

BONNIE R. RABIN AND ROBERT J. RYAN  
*Ithaca College*

Data on private pensions indicate several trends, of which the most noteworthy is a trend away from defined benefit toward defined contribution plans. This paper discusses some of the reasons behind the shift to defined contribution plans. Moreover, since evidence suggests that asset allocation decisions tend to differ significantly between company sponsors of defined benefit plans and plan participants under defined contribution plans, several management issues for the future emerge. This paper explores these issues through a single employer model of asset allocation. Some suggestions for managing pension plans and retirement in the future are provided.

### **Benefit Satisfaction within a Managed Care Flexible Environment**

BONNIE R. RABIN  
*Ithaca College*

Following implementation of flexible or managed-flex benefit programs, organizations routinely aim to assess the success of their new program, including an evaluation of levels of employee benefit satisfaction. This case study aims to provide additional empirical evidence in support of a multidimensional measure of benefits satisfaction. Under the managed-flex program, the added "choice" which a typical flexible benefit program offers relative to a more traditional benefits program is reduced. The impact that this reduction in "choice" has on levels of benefit satisfaction is explored using data collected at an organization where the benefits plan has evolved through three unique phases over the last five years.



## **An Empirical Study of Strategic Typology, Compensation System Characteristics, and Firm Performance in South Korean Firms**

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B. WAYNE ROCKMORE

*East Tennessee State University*

VIDA SCARPELLO

*Georgia State University*

This study examines the relationship between strategic typology and compensation system characteristics and its impact on firm performance by using a sample of 100 Korean companies. In terms of per employee value added and sales growth rate, the contingency table analysis results show that firms that have "fit" between strategy and compensation enjoyed greater performance. This result was stronger for firms that adopted "dynamic growth strategy" compared with "rationalization/maintenance strategy." An ANOVA result shows that while two strategic types and two different compensation systems ("innovative" or "traditional") sufficiently explain firm performance variations, the interaction effect between the strategy and compensation was not confirmed.

## **Postal Service Change: Evaluation of a Longitudinal Field Experiment**

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ARTHUR M. LUBY

*O'Donnell, Schwartz and Anderson, P.C.*

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The 1990 American Postal Workers Union Postal Service contract established a trial for "crew chiefs," bargaining unit employees given responsibility for the oversight of other employees. To help evaluate the trials for the union, we surveyed mail processors on 30 different attitudes, both

before and after the establishment of crew chief positions, in trial and control sites. Then after applying the Wilcoxon signed-rank test to the changes in those 30 attitudes, we determined that the establishment of crew chief positions was related to improved employee attitudes because the change in mail processor attitudes in the trial sites was significantly more favorable ( $p < .01$ ) than in the control sites.

## Investment in Human Capital, Racial, and Gender Disparities in JTPA

CAROLYN BALL

*University of Maine*

This article compares two evaluation techniques to measure the success of the Job Training Partnership Act (JTPA). The General Accounting Office (GAO) evaluated JTPA using the Equal Employment Opportunity Commission 80 percent rule. This technique measures the presence of discrimination in the provision of training. JTPA's self-evaluation uses regression models. This technique measures the ability of service providers to place and obtain wages for individuals controlling for differences in the participant population and the economy of the state. Using data from Indiana, this article finds that these two methods emphasize different missions and evaluate success differently and would lead to different policy choices.

## Change in Public Sector Labor Contracts: A 20-Year Retrospective

CAROLYN BALL

*University of Maine*

In 1973 Illinois state employees gained the right to bargain collectively through an executive order. This was followed ten years later by a state law signed Sept. 23, 1983. This article examines trends in Illinois state worker contracts negotiated by AFSCME from 1975 to the present, with special attention to labor management cooperation. Findings indicate that by the time of the second contract, AFSCME had established the basic articles. The contracts show a long, continuous cooperative relationship in establishing labor management committees. In 1994 AFSCME proposed and obtained an article to adopt TQM practices through the establishment of Public Service Quality Involvement Committees for agencies of 1,000 or more employees.

## Employee Involvement and Organizational Effectiveness in Public School Districts

STEVEN C. CURRALL

*Rice University*

GERARD L. BRANDON

*Pennsylvania State Education Association*

VENKAT R. KRISHNAN

*Temple University*

This study tested the hypothesis that employee involvement is associated with increased organizational effectiveness in public school districts. Based on a sample of 501 public school districts in Pennsylvania, we used archival data on school effectiveness and survey data on the extent of teacher involvement in school governance. Correlation and regression analyses showed that some dimensions of teacher involvement (e.g., in the development of organizational policies) enhance school district effectiveness, yet other forms of involvement (e.g., in decision making about student discipline and student retention/promotion) decrease school district effectiveness.

## Japanese Industrial Relations in Transition: Breakdown of the Pillars?

DONG-ONE KIM

*University of Wisconsin-Madison*

This paper examines recent developments in Japanese employment practices and analyzes their implications. Japanese employment practices are defined as an integrated system of rigid structure and flexible application: while the rigidity of the system leads to employee loyalty and organizational commitment, its flexibility provides the adaptability to environmental changes. The current developments that undermine the rigid aspect of the system will significantly change the nature of the Japanese model. The future of Japanese industrial relations depends on how the new system successfully provides tools to stimulate employee motivation and commitment without the living guarantee principle.

## Cross-functional Coordination and Human Resource Systems: Evidence from Airlines

JODY HOFFER GITTELL

*Massachusetts Institute of Technology*

This paper argues that there is value to be gained from designing human resource systems that support cross-functional coordination in organizations with at least one key process that cuts across functional lines. A model is developed from field research at two major airlines—American and Southwest. Critical factors for supporting cross-functional coordination include a team leader, shared accountability, and conflict resolution practices that span functional boundaries. Secondary factors include flexible work rules, an egalitarian organizational culture, training and selection for cross-functional teamwork, and shared monetary rewards. These practices affect operating outcomes by shaping the cognitive frames of participants.

## The Relationship between Variable Pay Plans and Business Unit Characteristics

DANIEL J. KOYS

*DePaul University*

Six variable pay plans are investigated: cash profit sharing, gain sharing, lump-sum bonuses, skill-based pay, individual incentives, and team-based incentives. It is proposed that the percentage of employees covered by these plans is related to business strategy, TQM orientation, the business unit's size, and the business unit's net income. Analysis of surveys from 58 business units shows that the use of individual incentives is related to business strategy and TQM orientation; the use of lump-sum bonuses is related to organization size, and the use of gain sharing is related to net income.

## European Integration and the North American Free Trade Agreement

ARNOLD SCHUETZ

*Virginia Polytechnic Institute and State University*

NAFTA is trying to emulate the economic success of the EC without having its spirit or structure. In Europe, unions participated in drafting the first (ECSC) treaty and participated in its administration. In contrast,

NAFTA was hatched in secret. Even the Labor Advisory Committee, established to advise on trade negotiations, received only one day's notice to comment on the treaty. NAFTA also suffers from the unfortunate legacy of the maquiladora experience. The system abuses labor and environment alike. Will NAFTA improve on this? It might, but only with an enforceable social charter similar to the Europeans.

## The Influence of Safety Statutes on Logging Fatalities: Lessons from the Pacific Northwest

STEVEN J. HAVLOVIC  
*Simon Fraser University*

WILLIAM M. MOORE  
*Drake University*

The legislative history of occupational safety and health statutes in the Pacific Northwest is reviewed. Hypotheses are developed regarding the impact of these safety statutes on reducing logging fatalities in British Columbia, Washington, and Oregon. Trend analysis and regression procedures are used to test the a priori hypotheses using single and polled time-series samples covering the last five decades. Trend analysis showed that a decline in logging fatality rates occurred across all three jurisdictions studied. Although it is difficult to establish conclusive causality for the decline in the fatality rates across these jurisdictions, there is evidence suggesting that strengthened legislation and improved enforcement of statutes governing workplace safety have been contributing factors.

## Empirical Evidence of the Effects of Employer and Union Strike Tactics

CYNTHIA L. GRAMM AND JOHN F. SCHNELL  
*University of Alabama*

This paper uses data from mail surveys of union and firm representatives of bargaining units involved in strikes in progress between 1984-88 to investigate the effects of union and employer strike tactics on the survival or death of the striking unit. The data are from two randomly selected samples: one selected from the population of major U.S. work stoppages involving 1,000 or more workers in progress during the 1984-88 and a second

from the population of work stoppages in progress in New York State during the same period.

The major result is that the demise of the bargaining unit is significantly more likely in strikes in which the firm hired permanent replacements for striking workers than in strikes in which the firm did not hire permanent replacements.

## **The Effects of Union Membership on Multiple Work Commitments among Female Public Sector Employees**

GLORIA JONES JOHNSON AND W. ROY JOHNSON  
*Iowa State University*

The present study investigated the effects of union membership on union, organizational, and dual commitment among 245 clerical employees at a midwestern state university represented by a local of the American Federation of State, County, and Municipal Employees (AFSCME). Based on the similarity hypothesis of the social identity theory, it was hypothesized that union membership would be positively related to union and dual commitment and negatively related to organizational commitment. The results of the regression analyses support the similarity hypothesis, and union membership explained a significant amount of variance in union and dual commitment, but not organizational commitment. These findings are discussed in the context of applying social psychological approaches to understand attitudes toward unionization; industrial conflict; and union, organizational, and dual commitment.

## **Reframing the Grievance Procedure as Interest-based Negotiation**

DONALD S. MCPHERSON  
*Indiana University of Pennsylvania*

DAVID A. MORAND  
*Penn State University of Harrisburg*

The rich ideas that have become standard fare in the interest-based language of conflict resolution are still largely foreign to the position-based language of contract administration. Contemporary grievance processing still emulates a legalistic, adversarial model for adjudicating rights disputes.

This paper explores some of the problems inherent in maintaining a strictly win/lose approach to grievance handling. We explore how grievances might be reframed relative to interest-based propositions. We explore the mechanisms whereby collaborative grievance resolution procedures may form the basis for reinforcing the mutual trust said to be essential for labor/management cooperation.

## XVIII. ANNUAL REPORTS

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### IRRA EXECUTIVE BOARD MEETING

April 22, 1994

Doubletree Hotel—Philadelphia, PA

President Lynn Williams called the meeting to order at 6:20 p.m. Present were President-Elect Walter J. Gershenfeld, Past President George Strauss, and board members: Peter H. Cappelli, Daniel G. Gallagher, Jack Golodner, Randolph N. Hale, Rachel Hendrickson (also Newsletter Editor), Joan Ilivicky, and Ruth Milkman. Also present were: IRRA Administrator Kay B. Hutchison, Editor-in-Chief Paula F. Voos, Chapter Advisory Chair James F. Power, and Lynn Case from the National Office. Absent were board members: Thomas R. Colosi, Mark C. Endresen, John A. Fossum, Marlene K. Heyser, Jay S. Siegel, Donna Sockell, John R. Stepp, and Secretary-Treasurer David Zimmerman.

Guests at the meeting were: Paul Weinstein, Chair of the Statistics Committee; Charles R. Coleman, Philadelphia Chapter; and Maggie Jacobsen, Chair of the Constitution Review Committee.

*Report of the Statistics Committee.* Paul Weinstein outlines IRRA's history with the Council of Professional Associations on Federal Statistics (COPAFS). He reviewed the organization's purpose, a list of major activities in which COPAFS participated in 1993, its current membership and contributors, and an income and expense statement for 1993. Weinstein requested that the IRRA renew its organizational membership in COPAFS and that an IRRA board member be appointed to a vacancy on the Statistics Committee. Following discussion and questions, Weinstein was excused, and the Board recessed for dinner.

The meeting reconvened at 7:35 p.m.

*Approval of minutes.* Minutes of the January Executive Board Meeting in Boston were approved as distributed.

*Report on the IIRA 10th World Congress.* Kay Hutchison, reporting for IIRA President Tom Kochan, said a preliminary conference brochure is



now available. A steering committee for the World Congress is working with Peter Regner (FMCS) on program arrangements. A contract will soon be signed with a convention management firm to process registrations. An article about the May 31-June 4, 1995 meeting will appear in the May *Newsletter*. Walt Gershenfeld said a section of the meetings would be identified as cosponsored by IRRA for publication purposes. Hutchison reported the *Labor Law Journal* has agreed to publish the 1994 IRRA *Spring Proceedings* but that there is uncertainty about the IRRA/CCH arrangement in the future because the journal is for sale.

*Report of the Program Committee.* The Board gave a round of applause to Walt Gershenfeld and the Philadelphia IRRA Chapter for planning the 1994 Spring Meeting. Lynn Williams, Program Committee Chair for the 47th Annual Meeting, reported 11 sessions and 9 workshops are planned for the Washington D.C. meetings, January 6-8, 1995. The Washington D.C. Chapter will arrange five of the workshops.

Williams reported that the Program Committee discussed the continuing work of the Dunlop Commission and proposes to include an evening session on the Commission's work at the January meetings. The session will consist of a distinguished panel. Breakout sessions on labor law reform and other topics would be held the following day. The committee encourages IRRA chapters to hold a fall meeting on the findings of the Dunlop Commission. Williams has asked Sheldon Friedman to continue as coordinator for chapter input on the commission.

*Report of the Membership and Finance Committee.* Administrator Hutchison reported that Association income exceeded expenses by approximately \$27,000 in 1993. She reported 1994 first quarter income and expenditures are similar to last year. Most annual organizational members have renewed for 1994, and the number of new members joining the Association is somewhat behind last year. Hutchison reported that 40% of the Oregon Chapter members who joined the national as part of a reduced rate promotion in 1993 had renewed at the full rate for 1994. Hutchison expects the National Office to reduce costs through increased use of computers for copy editing but that postage rates will increase in 1994. It was suggested the Finance and Membership Committee consider reduced membership dues for chapter members who join the National Association or for IRRA members who attend the spring meeting.

*Report of the Chapter Advisory Committee.* Chair Jim Power reported the CAC met in Boston and discussed the committee's structure, function, and purpose. The committee met again in March in Washington and reaffirmed the purpose of the Chapter Advisory Committee to serve as a link between the chapters and the national and to strengthen the relationship

between the two groups. The CAC recognized the importance of chapters designating a long-term person to serve as contact to the national. The committee suggests sponsoring officer or administrative training and technical assistance for chapters in the form of small development grants. Power said the CAC plans to meet again in New York City later this year.

*Report of the Spring Meeting Site Committee.* The Spring Meeting Site Committee recommends that the 1996 Spring Meeting be held in St. Louis, MO, under the sponsorship of the Gateway IRRRA Chapter. The meeting will be an initial step in experimenting with regional meetings. The Gateway Chapter has agreed to document plans and arrangements and to seek the participation of other regional chapters. In encouraging regional meetings, consideration must be given to how profits from such a regional/national meeting are shared and to ensuring that ongoing regional chapter activities are not duplicated or undermined.

*Report of the Editorial Committee.* Editor-in-Chief Paula Voos reported the committee's recommendation of a volume on public sector employment relations as the topic for the 1996 research volume with Dale Belman, Morley Gunderson, and Doug Hyatt as editors. George Strauss suggested that one person be designated as the lead editor. The next *Newsletter* will solicit research volume proposals for 1997, the 50th anniversary of the IRRRA, on the following topics identified by the committee: the impact of globalization on industrial relations, declining job security, employment law, union organizing, the history of collective bargaining and employee relations since 1947, and developments in alternative dispute resolution. The committee will take under advisement any proposals for a commemorative volume in 1997 and report back at the annual meeting.

*Report of the Newsletter Editor.* Editor Rachel Hendrickson reported two issues of *Dialogues* were produced in 1993 and another issue would be forthcoming with the May *Newsletter*. She reported some difficulty getting materials for publication in a timely fashion and receiving permission to reprint. Hendrickson continues to request papers that complement each other and promote discussion on a specific topic. The May *Dialogues* includes articles by Ted St. Antoine and Janice Bellace on labor law issues.

*Report of the Constitution Review Committee.* Chair Maggie Jacobsen reported the committee's recommendation for changes in the bylaws as follows: exclusion of gender-related references, possible change of the Association name, establishment of the Chapter Advisory Committee Chair as a position on the Board, inclusion of human resources and workplace employment issues in the stated purpose of the Association, redesignation of junior members as student and retired as emeritus, granting of past-president a vote on the Board, change the term of office to coincide with the

annual meeting, and requirement that nominations be sent to the Secretary-Treasurer 30 days before the annual meeting. Proposed bylaw changes will be submitted to the board in writing for the January meeting in Washington.

*Planning session.* President Williams reminded board members the day-long planning session would begin at 8:00 a.m., April 23, in the Sonata Rooms of the Doubletree Hotel.

*Old business.* The Board approved by a show of hands the recommendation to contribute \$500 to COPAFS for 1994.

*New business.* Rachel Hendrickson announced the formation of a women's caucus of the IRRA to consider issues of gender equity and diversity in programming and selection of officers. An organizational meeting was held April 23 and a second meeting will be held at the annual meeting in January.

The Board approved by voice vote President Williams' recommendations for the 1995 Nominating Committee: Clair Brown (Chair), Lisa Lynch, Mark Thompson, Dorothy Sue Cobble, Eileen Hoffman, Don Wasserman, and Kent Vana.

The Board directed that correspondence from the Delegation of the Commission of the European Community be referred to the National Academy of Social Security.

The meeting adjourned at 9:30 p.m.

## IRRA EXECUTIVE BOARD MEETING

January 5, 1995

Omni Shoreham Hotel, Washington D.C.

The meeting was called to order at 8:10 p.m. by President Lynn Williams. Present were Past President George Strauss, President-Elect Walter Gershenfeld, 1995 President-Elect Hoyt N. Wheeler, and board members: Peter H. Cappelli, Daniel G. Gallagher, Randolph M. Hale, Rachel Hendrickson (also newsletter Editor), Marlene K. Heyser (also Program Committee Co-Vice-Chair), Joan Ilivicky, Ruth Milkman, Jay S. Siegel, and John R. Stepp; and incoming Board members: Katharine G. Abraham, Janet R. Conti, Bernard E. DeLury, and Morley Gunderson. Also present were: IRRA Administrator Kay B. Hutchison, Secretary-Treasurer David R. Zimmerman, Editor-in-Chief Paula B. Voos, Chapter Advisory Chair James F. Power, and Lynn Case from the National Office.

Absent were board members: Thomas R. Colosi, Mark C. Endresen, John A. Fossum, Jack Golodner, and Donna Sockell.

Guests at the meeting were Lisa Lynch, Chair of the Nominating Committee; Thomas A. Kochan, IIRA President; Bruce Kaufman, Program Committee Vice-Chair; F. Donal O'Brien, Finance and Membership Committee Chair; Paul Weinstein, Statistics Committee Chair; Maggie Jacobsen, Constitution Review Committee Chair; and Steven B. Rynecki, General Counsel.

President Williams welcomed newly elected board members and reminded them that since their term had not begun, they were not eligible to vote at this meeting. Williams thanked retiring Past President Strauss and board members Colosi, Endresen, Hale and Sockell.

*Approval of minutes.* Minutes of the April 1994 Executive Board Meeting in Philadelphia were approved as distributed.

*Report of the Statistics Committee.* Chair Paul Weinstein reported meeting with newly appointed committee members Peter Cappelli, Michele Hoyman and Wayne Vroman. He expressed concern for federal budget changes that will affect the availability of statistics and data. COPAFS is monitoring these changes and Weinstein will report on them in a future issue of *IRRA Newsletter*. Weinstein asked the Board to reconsider its position of not taking stands on policy issues. The Statistics Committee encourages the IRRA to hold a session on the international comparison of labor statistics at the January 1996 meeting. Vroman and Weinstein have agreed to attend COPFAS meetings representing the IRRA. Weinstein requested that the Board approve the continued membership of IRRA in COPFAS.

*Report of the Nominating Committee.* Chair Lisa Lynch announced that Francine Blau from Cornell University had been recommended as candidate for 1996 President-Elect. Candidates for the Executive Board will be listed in the *May Newsletter*. Because the Nominating Committee last year and this year had difficulty selecting names for the management category, they recommend local chapters be asked to submit names of management candidates to the National Office and the President and President-Elect actively recruit visible senior management representatives into IRRA membership. The committee recommends candidates be asked to submit a statement of vision for the IRRA in addition to their biographic information. Upon separate motions and seconds, the report of the Nominating Committee was accepted with respect to the nomination for President-Elect and Executive Board candidates. A motion by George Strauss to ask the Constitutional Review Committee to review how candidates are selected was seconded and passed.

*Report of the IIRA 10th World Congress.* IIRA President Tom Kochan announced the dates of May 31-June 4, 1995, in Washington DC for the IIRA 10th World Congress. The Congress will serve as the 1995 IRRA Spring Meeting. The planned program will emphasize practitioner involvement in both plenary sessions and workshops. Pre-Congress sessions will offer tours of worksites and post-Congress sessions will offer opportunities to discuss specific research. Reports of the rapporteurs are being translated and will be included as the *IRRA Spring Proceedings*. Kochan reported receiving support from FMCS and other IRRA members in the Washington D.C. area. Maggie Jacobsen suggested Kochan write a letter of explanation about the meeting to chapters to encourage attendance.

*Report of the Program Committee.* Chair Walt Gershenfeld reported receiving more than twenty proposals for the annual meeting in San Francisco, January 5-7, 1996. The committee selected ten as symposiums and many others were approved as workshops.

Gershenfeld reported the Gateway Chapter (St. Louis) had chosen labor-management cooperation as a general theme for the spring meeting to be held in St Louis, May 2-4, 1996. The chapter is working to include other regional local chapters in planning the program.

*Report on the IRRA Strategic Planning Meeting.* President Williams summarized the discussions of the Strategic Planning Meeting, April 23, 1994, in Philadelphia. Board members, chapter representatives, and others met to discuss the challenges and opportunities facing IRRA. Three areas—publications, chapters, and meeting tracks—were discussed at length. Williams said there was consensus on working to appeal to greater numbers of practitioners, being more inclusive to a broader range of disciplines, providing a balance between the *Proceedings* and other publications, allowing a vehicle for longer papers to be published, maintaining our ties with the ASSA for economic and scheduling reasons, establishing program tracks around disciplines or interests, and developing chapter/national relations. Williams said there was a lack of consensus on the future of the spring meeting—whether it should continue its national focus or move toward regional spring meetings. The issue of the Association's name was discussed, and a straw poll among the session participants found limited preference for Labor and Employment Relations Association (LERA) among alternative names for the Association. It was decided that a similar straw poll should be conducted among IRRA Chapters.

Administrator Hutchison reported that a follow-up meeting on program development and publications was held in July in Chicago attended by President-Elect Gershenfeld, 1995 President-Elect Wheeler, Editor-in-Chief Voos, Program co-Vice-Chairs Heyser and Kaufman. The need to

improve the quality of the annual *Proceedings* was discussed, and there was consensus that longer papers (up to 25 pages) should be refereed and that nonrefereed papers up to 10 pages in length could be submitted for publication. Hutchison said cost was a determining factor in the size of the *Proceedings*. John Stepp and Randy Hale expressed the need to establish a link between the academics, practitioners, and real world problems and to publish the results.

Program Vice-Chair Bruce Kaufman reported on a survey of lapsed academic members from 1992-93 who had not renewed. Of 200 surveys sent, 41 responses were received. Only 5 expressed dissatisfaction with IRRA. Most reasons for nonrenewal were retirement or a change in job or position (31%). Kaufman reported 6 people renewed as a result of the survey.

The Board discussed the development of academic and practitioner tracks or sections for future annual meeting programs. President-Elect (1995) Hoyt Wheeler said this would result in a better program solicited among members and allow more members to become active between meetings. There was consensus on the need to broaden IRRA's membership base to be more inclusive and diverse. A motion was made, seconded, and approved to allow 1997 Program Chair Wheeler and Co-Vice-Chairs Kaufman and Heyser and Editor Voos to develop a proposal for several sections on an experimental basis. The purpose of sections or tracks is to broaden our appeal and bring together members with similar interests; it is not intended to segregate the membership. Gershenfeld proposed an amendment that tracks must be consistent with the objectives of the organization. The amended motion was unanimously approved. A description of the changes will be communicated to the membership through the *Newsletter*.

*Results of the chapter straw poll on the name change.* President Williams reported that a straw poll conducted among IRRA chapters showed no clear preference for an Association name change. Of the chapters responding, support was almost equally divided between the current name and a new name. Those supporting a change indicated preference for "Labor and Employment Relations Association." Walt Gershenfeld indicated that the general membership will be polled for their opinion.

*Report of the Chapter Advisory Committee.* Chair Jim Power reported the committee met three times during 1994. CAC will submit a written report to the Board on its discussions, CAC's functions, and qualifications for CAC membership. Power said future CAC members must meet these qualifications: be a national IRRA member, be active in a local chapter, have held a key position or office in a chapter, be regionally representative of chapters, and have access to resources (time, travel) to attend meetings and assist other chapters.

CAC recommends the reconstructed CAC consist of at least 5 but no more than 12 members; members have staggered three-year terms to be phased in; and up to 3 other CAC members appointed to achieve geographic distribution. Power said local chapters will make nominations for future CAC members and the current CAC will select new members. Power said CAC Chairperson will be elected from within the CAC for a recommended three-year term on the Board with full voting privileges.

Power said the future CAC will be an active, working committee that assists the growth and development of local chapters; acts as mentor or consultant to nearby local chapters, especially struggling chapters; provides training for new local chapter officers; fosters networking among local chapters and within individual chapters; promotes joint national and local IRRA membership; and identifies research topics (such as Dunlop Commission) for chapterwide discussion.

The Board unanimously approved in principle the proposed changes recommended by CAC pending written submission at the Board's spring meeting. The change allowing the CAC Chair to become a voting member of the Executive Board would require an amendment to the bylaws.

*Report of the Constitution Review Committee.* Chair Maggie Jacobsen reported on the revisions proposed by the committee to date. Because of anticipated changes in the Chapter Advisory Committee and possible changes in the nominating process, the Board endorsed the report in principle with the suggestion that additional changes be brought before the Board at the spring meeting.

*Report of the Secretary-Treasurer and Administrator.* Administrator Kay Hutchison reported an anticipated surplus of approximately \$20,000 for the 1994 fiscal year. She said regular membership has declined by 200 persons per year over the past four years. Student memberships remain about the same, and retired memberships have increased. Hutchison said first-class and library-rate postage increased significantly on January 1, 1995. She estimates the postage increase will increase mailing costs by \$6,000. Hutchison said paper costs are also expected to increase significantly. IRRA publications account for approximately \$100,000 in expenditures per year, including printing, postage and almost a third of compensation costs. On the basis of increased postage and publication costs and the absence of spring meeting revenue in 1995, the 1995 budget reflects an anticipated deficit.

A motion was made, seconded, and approved to authorize the Administrator to pay 1995 COPFAS dues of \$500, the same amount paid in 1994.

*Report of the Finance and Membership Committee.* Chair Don O'Brien reported the committee has adopted the following mission statement: "To

review and analyze all financial records and reports and membership reports and make recommendations to the Board on changes to strengthen the financial situation of the Association and programs to increase membership in the Association."

The committee reviewed membership statistics and reported that after a short leveling off, membership had declined both nationally (a loss of 800 members since 1990) and in the chapters. The committee proposes the development of new, member-driven services or products and an enhanced membership program that emphasizes personal contact by Presidents, Executive Board members, and others. Specific proposals for new products and services will be discussed at the committee's spring meeting. President-Elect Gershenfeld has set a personal goal of recruiting new IRRA members. Other committee members have volunteered to staff a recruiting booth at events of other organizations.

Based on its review of 1994 financial statements and the 1995 budget, the committee recommended individual regular membership dues be increased by \$4 for 1996 (\$52 to \$56). The increase is consistent with the by-law requirements. Motion made, seconded, and passed. Chair O'Brien moved that the Board adopt a requirement that nonmembers pay a publication fee to appear in IRRA publications. The motion was amended to require that the author or at least one coauthor be a member of the Association and that the requirement apply only to the *Proceedings* and not to other publications. Amendment seconded and passed. Motion seconded and passed.

*Report of the Editorial Committee.* Editor Paula Voos reported the 1994 *Proceedings* was mailed in late December and the research volume will be mailed in January. Voos said the 1995 research volume, *The Comparative Political Economy of Industrial Relations*, edited by Kirsten Wever and Lowell Turner, will contain seven chapters. The 1996 volume, *Public Sector Employment Relations in a Time of Transition*, edited by Dale Belman, Morley Gunderson, and Doug Hyatt, is in the initial stages of development. The Editorial Committee is currently reviewing proposals for the 1997 research volume, the 50th year of IRRA.

Newsletter Editor Rachel Hendrickson reported difficulty in obtaining three related papers from different points of view for publication in the *Dialogues*. Ideas for future topics include the public sector, the Dunlop Commission report, social security and benefits. She asked board members to help with solicitation of papers.

*New business.* Past President George Strauss submitted a written proposal asking the Board to appoint a committee to investigate the advantages and disadvantages of the IRRA making awards recognizing outstanding contributions to the field or IRRA or best papers of the year. Strauss



said other organizations such as the Academy of Management and the American Economics Association present such awards, and he felt this would be good publicity for the Association. Motion made, seconded, and approved. President-Elect Gershenfeld will name committee members. Board member Jay Siegel recommended IRRA set up a writing competition for students with a monetary award of \$500, it be announced in the *Newsletter*, and the paper published in the *Proceedings*. Siegel asked a panel be selected to judge the competition. The Board approved a motion to have Siegel chair a committee to investigate this proposal and report back to the Board.

President Williams and President-Elect Gershenfeld recommended Janet Conti become Chair of the Chapter Advisory Committee following the two-year term of current Chair Jim Power. Motion carried. Motion made, seconded, and passed that Rachel Hendrickson continue as Newsletter Editor for another three-year term.

Administrator Hutchison reported the bylaws of the Delaware County Labor-Management Association Inc. (Indiana Chapter) to be consistent with the national Bylaws and recommended approval as IRRA's sixty-third chapter. Motion carried.

Meeting adjourned at 11:42 p.m.

## IRRA GENERAL MEMBERSHIP MEETING

January 7, 1995

Omni Shoreham Hotel, Washington D.C.

President Lynn Williams called the meeting to order at 5:55 p.m. and reviewed reports for the agenda.

*President's Report.* Williams reported the Executive Board and others met at a full-day strategic planning meeting in Philadelphia on April 23, 1994. The group reviewed the Association's mission and discussed the challenges and opportunities facing IRRA. The session focused on the diversity of needs for academic and practitioner members and the ways in which IRRA programs and publications can address those needs. The group discussed ways of reaching out to other disciplines and of being more inclusive in programs and membership. The group recommended the development of program tracks based on areas of interest or discipline as a means of broadening the Association base. The consensus was to maintain IRRA annual meeting ties to ASSA for financial and organizational reasons. The

future direction of the IRRA spring meetings was discussed but there was no consensus about whether it should continue as a national meeting or move to a regional meeting format. There was concern about maintaining a national image within such diverse regional meetings. Williams said the national IRRA does not want to interfere with regional chapter meetings already in existence. The issue of the Association's name was considered with some preference for "Labor and Employment Relations Association" (LERA). A straw poll among chapters was uniformly split over changing the name.

Williams reported that a subgroup of the strategic planning meeting met during the summer in Chicago. President-Elect Walter Gershenfeld, President-Elect-Elect Hoyt Wheeler, Academic Program Vice-Chairs Bruce Kaufman and Marlene Heyser, Editor Paula Voos, and Administrator Kay Hutchison met to discuss publications and programs.

Williams reported on the actions taken at the Executive Board meeting held January 5. The Board accepted, in principle, the CAC report on committee structure and purpose and the designation of the CAC Chair as a voting member of the Executive Board. The Board authorized President-Elect Gershenfeld to appoint a committee to develop a writing award for students.

*Report on the IIRA 10th World Congress.* IIRA President Tom Kochan reported the May 31-June 4, 1995, meeting in Washington D.C. has been designed to encourage participation with academics, policymakers, and practitioners. The Congress has been designated as the IRRA 1995 Spring Meeting and offers members an opportunity to develop contacts with industrial relations professionals from around the world. A local arrangements committee has been appointed and the Congress headquarters hotel is the Hyatt Regency-Capitol Hill.

*Report of the Editor.* Editor Paula Voos reported the 1994 IRRA Research Volume *Contemporary Collective Bargaining in the Private Sector* will be mailed to members soon. The 1995 volume is *The Comparative Political Economy of Industrial Relations*, edited by Kirsten Wever and Lowell Turner. The 1996 volume will be *Public Sector Employment Relations* edited by Dale Belman, Morley Gunderson, and Doug Hyatt. Voos said the Editorial Committee is reviewing proposals for the 1997 research volume.

*Report of the Chapter Advisory Committee (CAC).* Chair Jim Power recognized committee members Joan Ilivicky, Maggie Jacobsen, Rachel Hendrickson, Ed Pereles, Bob Simmelkjaer, Janet Conti, Mark Endresen, and Steve Rynecki. He acknowledged their participation in meetings held in March and November to discuss the purpose and structure of the committee

and the selection of the CAC Chair. In the past CAC members have been appointed by the IRRA President; however, CAC proposes that in the future 5 to 12 members be selected by CAC for three-year terms from nominations made by local chapters. It is recommended that CAC members be national IRRA members, active as a chapter officer, or have held a key position, and have the time and resources to attend meetings. Once the committee is reconstituted, up to three additional members may be appointed by the committee for one-year terms for the purpose of balance. CAC recommends the chair be selected from and by its committee members for a three-year term on the Executive Board with voting privileges. Power said these recommendations would give chapters a voice on the Executive Board.

Power said CAC members will serve as mentors and consultants to local chapters, maintaining contact and providing technical assistance where needed. Chapters will be able to access someone in addition to the national office for help with programs, speakers, or membership. CAC will serve as a resource for chapter development and training, particularly for new chapter officers. Power said the committee will submit a written report for final Executive Board approval. He recognized Lynn Case of the National Office for her work with CAC and the local chapters. He announced Board approval of the bylaws of the Indiana Chapter (Munice) and welcomed them into affiliation with IRRA.

*Report of the Administrator.* Administrator Kay Hutchison reported near record ASSA attendance of 8,500 at this meeting. She thanked the Washington D.C. Chapter and other contributors for hosting the reception held at the AFL-CIO headquarters. Hutchison reported 1994 revenues exceeded expenses by \$20,000 despite further membership decline by 200, for a total loss of 800 over four years. Hutchison reported a 72% postage increase in 1995 which will increase book shipping costs by \$6,000 annually. She said the increase in postage and printing costs and the continued decline in membership will result in an anticipated deficit of \$15,000 for 1995. The deficit will follow two years of surplus. Hutchison expressed concern that the same level of membership benefits cannot be maintained with fewer members.

Reporting for Finance and Membership Chair Don O'Brien, Hutchison said the Board approved a dues increase of \$4 to \$56 for regular members in 1996. Hutchison reported the Board also approved the committee's recommendation that at least one author of a paper be a member of the national IRRA in order to have their paper published in the *Proceedings*.

Hutchison announced the following future meetings and locations:

1996 Annual	January 5-7	San Francisco
1996 Spring	May 31-June 4	St Louis/Gateway
1997 Annual	January 3-5	New Orleans
1998 Annual	January 3-5	Chicago (50th anniversary of IRRA)
1999 Annual	January 3-5	New York

President Williams announced Francine Blau, Cornell University, as the nominee for 1996 President-Elect. Williams thanked members for their trust in him as President of the Association and said he wanted to start a new tradition by allowing the incoming President to comment on their presidency at the beginning of his or her term.

1995 President Walter Gershenfeld said he hopes to make the Association more member friendly. He encouraged members to be active in the Association and to volunteer for committee appointments. Gershenfeld expressed concern for the decline in membership and made a personal commitment to increase membership.

There being no questions or comments from the audience, the meeting adjourned at 6:45 p.m.

AUDITED FINANCIAL STATEMENTS  
December 31, 1994 and 1993

We have audited the accompanying balance sheets of the Industrial Relations Research Association (a nonprofit organization), as of December 31, 1994 and 1993, and the related statements of support, revenue and expenditures, statements of changes in fund balances, and statements of changes in financial position, for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Relations Research Association as of December 31, 1994 and 1993, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Stotlar & Stotlar, S.C.

February 28, 1995

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
Madison, Wisconsin

Balance Sheets  
December 31,

	1994	1993
<b>ASSETS</b>		
Current assets:		
Petty cash	\$ 10	\$ 50
Cash-checking	168,245	127,941
Cash-certificates of deposit	21,557	21,085
Other investments	71,421	68,937
Accounts receivable (Less allowance for doubtful accounts)	6,679	5,378
Prepaid expenses	22,051	16,316
Inventory	<u>30,298</u>	<u>22,430</u>
Total current assets	\$320,261	\$262,147
Property, plant and equipment:		
Equipment	\$ 30,314	\$ 29,206
Accumulated depreciation	<u>21,694</u>	<u>18,835</u>
Net property, plant and equipment	\$ 8,620	\$ 10,371
Total Assets	<u>\$328,881</u>	<u>\$272,518</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current liabilities:		
Accounts payable	\$ 76,202	\$ 21,693
Payroll taxes payable	406	1
Accrued interest	21	0
Dues collected in advance	95,080	109,134
Subscriptions collected in advance	14,996	13,216
Deferred income	2,000	0
Deferred grant income	20,000	20,000
Payable to IRRA	<u>216</u>	<u>10,000</u>
Total Liabilities	\$208,981	\$174,044
Endowment fund	\$ 40,000	\$ 40,000
Unrestricted fund balance	<u>79,900</u>	<u>58,474</u>
Total fund balances	\$119,900	\$ 98,474
Total Liabilities and Fund Balance	<u>\$328,881</u>	<u>\$272,518</u>

*See Independent Auditors' Report and Accompanying Notes)*

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
Madison, Wisconsin

Statements of Support, Revenue and Expenditures  
For the Years Ended December 31,

	1994	1993
<b>Revenue</b>		
Revenue from operations		
Membership dues	\$167,369	\$173,164
Subscriptions	16,550	16,273
Chapter fees	10,103	8,280
Book sales, net of refunds	11,472	10,732
Royalties	287	640
Newsletter advertising	3,776	2,250
Mailing list rental	5,761	4,514
Meetings	41,480	27,445
ASSA refunds	8,348	5,823
Grant income	0	7,548
Contributions	<u>0</u>	<u>400</u>
Total revenue	\$265,146	\$257,069
<b>Expenses</b>		
Compensation		
Salaries	\$ 75,173	\$ 71,552
Fringes and taxes	20,441	19,354
Contract services	<u>3,037</u>	<u>3,213</u>
Total compensation	\$ 98,651	\$ 94,119
Publications		
Proceedings	\$ 23,258	\$ 31,736
Spring proceedings	4,983	4,670
Research volume	24,953	23,671
Newsletter	11,330	11,104
Directory	5,202	5,461
Prior years' publications	<u>1,359</u>	<u>0</u>
Total publications	\$ 71,085	\$ 76,642
Meetings		
General - Spring		
Meals	\$ 15,432	\$ 8,052
Travel	772	2,234
Postage & shipping	309	0
Printing	1,986	0
Miscellaneous	5,514	4,571
Profit reimbursement	<u>4,258</u>	<u>4,269</u>
Total spring meeting	\$ 28,271	\$ 19,126
Annual		
Meals	\$ 6,240	\$ 3,865
Travel	1,637	125
Postage & shipping	278	0
Printing	1,081	0
Miscellaneous	<u>767</u>	<u>2,614</u>
Total annual meeting	\$ 10,003	\$ 6,604
Total general expenses	\$ 38,274	\$ 25,730
National expenses		
Spring		
General	\$ 686	\$ 1,581
Hospitality	<u>1,402</u>	<u>0</u>
Total spring meeting	\$ 2,088	\$ 1,581
Annual		
General	\$ 5,639	\$ 2,691
Hospitality	<u>1,527</u>	<u>2,000</u>
Total annual meeting	\$ 7,166	\$ 4,691
Total national expenses	\$ 9,254	\$ 6,272
Total meetings expense	\$ 47,528	\$ 32,002
Membership promotions	\$ 4,668	\$ 7,665
Chapter expenses	\$ 1,452	\$ 2,204
Editorial committee	\$ 0	\$ 256

Committee expenses	\$ 1,741	\$ 20
Chapter Advisory Committee	541	0
Office and general expenses		
Computer and label costs	\$ 387	\$ 134
Office supplies	2,396	2,466
Postage and freight	4,787	4,818
Telephone and FAX	1,922	988
Accounting and auditing	3,430	2,952
Bank charges	64	12
Insurance	1,079	786
Depreciation	2,859	3,182
Duplicating	2,565	3,195
Miscellaneous	364	232
Storage	0	240
Donations	300	0
Dues	685	185
Equipment leasing	1,886	1,807
Education	272	297
Total office and general	\$ 22,996	\$ 21,294
Total expenditures	\$248,662	\$234,202
Excess revenue	16,484	22,867
Other revenue		
Other income	\$ 76	\$ 15
Interest income	5,248	5,064
(Loss) on securities	( 357)	( 59)
Business taxes	( 25)	( 25)
Total other revenue	\$ 4,942	\$ 4,995
Excess revenue	<u>\$ 21,426</u>	<u>\$ 27,862</u>

(See Independent Auditors' Report and Accompanying Notes.)

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
Madison, Wisconsin

Statements of Changes in Fund Balance  
For the Years Ended December 31,

---

	1994	1993
Unrestricted fund balance, beginning balance	\$ 58,474	\$ 30,612
Excess revenue	<u>21,426</u>	<u>27,862</u>
Unrestricted fund balance, ending balance	<u>\$ 79,900</u>	<u>\$ 58,474</u>

(See Independent Auditors' Report and Accompanying Notes.)

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
Madison, Wisconsin

Statements of Changes in Financial Position  
For the Years Ended December 31,

---

	1994	1993
Financial resources provided by:		
Operations:		
Net income	\$ 21,426	\$ 27,862
Item not affecting cash and short term investments: depreciation	2,859	3,182
Decrease in prepaid expenses	0	1,492
Increase in dues paid in advance	0	9,294
Decrease in inventory	0	1,189
Increase in accounts payable	54,509	0
Increase in payroll taxes payable	405	0
Increase in deferred income	2,060	0
Increase in accrued interest	21	25,000
Increase in subscriptions collected in advance	<u>1,780</u>	<u>2,954</u>
Total funds provided	\$ 83,060	\$ 70,953

## Uses of funds:

Decrease in payable to IIRA	\$ 9,784	\$ 69,714
Increase in accounts receivable	1,301	1,276
Increase in prepaid expenses	5,735	0
Increase in inventory	7,868	0
Purchase of equipment	1,108	7,272
Decrease in dues paid in advance	14,054	0
Decrease in deferred grant income	<u>0</u>	<u>7,500</u>
Total uses of funds	\$ 39,850	\$ 85,762
Increase (decrease) in cash and short term investments	\$ 43,210	\$ ( 14,809 )
Cash and short term investments		
Beginning of year	\$218,023	\$232,832
End of year	<u>\$261,233</u>	<u>\$218,023</u>

*See Independent Auditors' Report and Accompanying Notes.*

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION  
Madison, Wisconsin

Notes to Financial Statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Industrial Relations Research Association is presented to assist in understanding the Association's financial statements.

*Organization*

The Association is a not-for-profit organization. Its purpose is to provide publications and services to its members in the professional field of industrial relations.

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, net income from the sale of membership mailing lists and newsletter advertising is unrelated business income and is taxable as such.

*Investments*

Investments include balances held during 1993 and 1994 in the Kemper Government Securities Fund and the Kemper Money Market account. Shares in the Government Securities Fund were traded at \$9.19 per share at December 31, 1993. The Government Fund investment was liquidated on October 17, 1994.

*Inventory*

The Association's inventory of directories, research volumes, proceedings, and prior newsletters is carried at the lower of cost or market value.

*Property, Plant, and Equipment*

Property, plant, and equipment are carried at cost. Depreciation is provided using the straight line method over an estimated five- to seven-year useful life.

*Membership Dues—Advance Subscriptions Collected*

Membership dues and subscriptions are assessed on a calendar year basis and are recognized on an accrual basis. Funds received for the upcoming 1995 and 1994 calendar years are reflected as deferred income on the balance sheet.





## ALPHABETIC LIST OF AUTHORS

Andrews, Emily S. . . . .	84	Hsin, Ping-Lung. . . . .	54
Ashford, Nicholas A. . . . .	293	Hunter, Larry W. . . . .	152
Atelson, James B. . . . .	190	Inderrieden, Edward J. . . . .	437
Ball, Carolyn. . . . .	441, 441	James, Estelle. . . . .	64
Belzer, Michael H. . . . .	403	Jarley, Paul . . . . .	317
Bernard, Alain . . . . .	438	Johnson, Gloria Jones . . . . .	445
Besson, Dominique . . . . .	438	Johnson, W. Roy. . . . .	445
Blasi, Joseph R. . . . .	225	Johnston, Paul . . . . .	358
Boden, Leslie I. . . . .	282	Jones, Derek C. . . . .	235
Boroff, Karen E. . . . .	305, 433	Katz, Marsha . . . . .	433
Brandon, Gerard L. . . . .	442	Keaveny, Timothy. . . . .	437
Brown, Claire . . . . .	327	Kelley, Maryellen R. . . . .	142
Canak, William . . . . .	346	Kim, Dong-One . . . . .	442
Carré, Françoise. . . . .	422	Kletzer, Lori G. . . . .	98
Chandler, Timothy D. . . . .	295	Koch, Marianne . . . . .	140
Chen, Paul . . . . .	431	Koys, Daniel J. . . . .	443
Christopher, John . . . . .	440	Krieger, Kathy L. . . . .	199
Clark, Paul F. . . . .	434	Kriesky, Jill . . . . .	374
Cohen, Debra J. . . . .	38	Krishnan, Venkat R. . . . .	442
Cohn, Samuel. . . . .	369	Krishnaswamy, Sujatha C. . . . .	430
Currall, Steven C. . . . .	442	LaVan, Helen . . . . .	433
Delaney, John T. . . . .	317	Lee, Huei . . . . .	437
Dell'Orno, Gregory G. . . . .	434	Lee, Michael Byungnam . . . . .	138, 440
DeMarr, Beverly J. . . . .	10	Luby, Arthur M. . . . .	440
Devine, Kay Stratton . . . . .	163	Luchak, Andrew A. . . . .	30
Dulebohn, James . . . . .	21	Lynch, Patricia . . . . .	432
Eaton, Adrienne E. . . . .	383	Manchester, Joyce . . . . .	76
Edin, Pers-Anders . . . . .	431	Marschall, Daniel. . . . .	270
Fiorito, Jack . . . . .	317	Martin, James E. . . . .	440
Flynn, Linda . . . . .	432	Martocchio, Joseph J. . . . .	21
Freeman, Richard . . . . .	336	Massagli, Michael. . . . .	178
Gallagher, Daniel G. . . . .	430	McCammon, Holly . . . . .	366
Gellatly, Ian . . . . .	30	McPherson, Donald S. . . . .	445
Gely, Rafael . . . . .	295	Mehay, Stephen L. . . . .	108
Gittell, Jody Hoffer . . . . .	443	Miller, Berkeley . . . . .	346
Glover, Robert W. . . . .	248	Mitchell, Olivia S. . . . .	44, 54
Gramm, Cynthia L. . . . .	444	Mitchell, Stephen M. . . . .	267
Gray, Lois S. . . . .	434	Montemayor, Edilberto F. . . . .	42
Greenfield, Patricia A. . . . .	180	Moore, William M. . . . .	444
Groshen, Erica . . . . .	118	Morand, David A. . . . .	445
Gustman, Alan L. . . . .	44	Morris, Michael . . . . .	440
Haddadj, Slimane. . . . .	438	Mowrey, Megan . . . . .	430, 436
Havlovic, Stephen J. . . . .	444	Murrmann, Kent F. . . . .	432
Hiatt, Jonathan P. . . . .	221	Numair, Jon . . . . .	440
Hoell, Robert C. . . . .	436	Partridge, Dane M. . . . .	432
Howard, Jack L. . . . .	437	Pil, Frits K. . . . .	152

Pleasure, Robert J. ....	180	Stepina, Lee P. ....	317
Popejoy, Stephen L. ....	430	Strauss, George ....	246
Rabin, Bonnie R. ....	439, 439	Suttor, Jodi ....	433
Rau, Barbara L. ....	131	Swiercz, Paul M. ....	432
Reich, Michael ....	327	Tansky, Judith W. ....	430
Rockmore, B. Wayne ....	440	Thomas, John E. ....	440
Roemer, Jane S. ....	290	Tomlins, Christopher L. ....	216
Rogers, Joel ....	336	Toth, William J. ....	433
Ryan, Robert J. ....	439	Trank, Christine Quinn ....	436
Sassalos, Susan C. ....	87	Viswesvaran, Chockalingam. ....	430
Scarpello, Vida ....	440	Wagar, Terry H. ....	432
Schnell, John F. ....	444	Way, Philip K. ....	435
Schoen, Cathy ....	207	Weil, David. ....	273
Schuetz, Arnold ....	443	Weinstein, Marc. ....	169
Schurman, Susan J. ....	391	Wial, Howard ....	414
Shaiken, Harley ....	257	Williams, Helen C. ....	437
Siegel, Jay S. ....	431	Williams, Lynn R. ....	1
Solomon, Norman ....	434	Yu, Gyu-Chang. ....	434
Sorenson, Elaine ....	116	Zacharias, Larry ....	207
Stanger, Howard R. ....	121	Zullo, Roland ....	435
Steinmeier, Thomas L. ....	44		

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## THE INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

The Industrial Relations Research Association (IRRA) 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 that affords the multi-party exchange of ideas we have experienced over the years—a unique and invaluable forum. The word "Research" in our 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.

Our membership of 4,500 includes representatives of management, unions, and government; practitioners in consulting, arbitration, mediation, and law; and scholars and teachers representing many disciplines in colleges and universities in the United States and Canada, as well as abroad. Among the disciplines represented in the Association are administrative sciences, anthropology, economics, history, law, political science, psychology and sociology, as well as industrial relations. Libraries and institutions who are interested in the publications of the Association are also invited to become members and, thereby, subscribers to the publications. Organizational memberships in the Association are also available.

Membership dues cover publications for the calendar year from January 1 through December 31 and entitle members to the *Proceedings of the Annual Meeting*, *Proceedings of the Spring Meeting*, a special research volume, a membership *Directory* every four years, quarterly issues of the *Newsletter*, and periodic issues of *Dialogues*.

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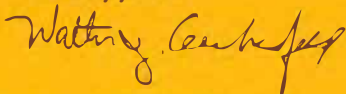
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*Some members also make additional tax deductible financial contributions to the Association.*

If you are not already a member, we invite you to join the IRRA by sending your membership application and dues payment. Inquiries regarding membership, meetings, and publications should be addressed to the IRRA office.

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION (phone: 608/262-2762; fax: 608/265-4591) 7226 Social Science Building, University of Wisconsin-Madison, 1180 Observatory Drive, Madison, WI 53706-1393.

Sincerely yours,



Walter J. Gershenfeld  
IRRA President 1995

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